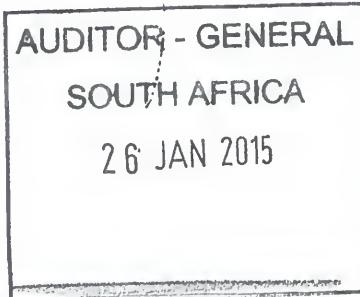




BAVIAANS LOCAL MUNICIPALITY  
ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2014  
Auditor General South Africa Published  
29 August 2014



# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **GENERAL INFORMATION**

### **Legal form of entity**

The entity functions as a local municipality, established under Paragraph 151 of the Constitution of the Republic of South Africa, 1996, as amended.

### **Nature of business and principal activities**

Baviaans Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998) The municipality's operations are governed by:- Municipal Finance Management act 56 of 2003- Municipal Structure Act 117 of 1998- Municipal Systems Act 32 of 2000 and various other acts and regulations

### **Mayoral committee**

Executive Mayor  
Councillors

E L Loock  
D Bezuidenhout  
H Booysen  
M Fivaz  
G A Hobson  
V Lapperts  
T Spogter

### **Grading of local authority**

Grade 1

### **Business address**

42 Wehmeyer Street  
Willowmore  
6445

### **Bankers**

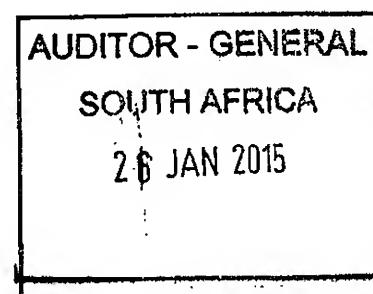
ABSA Bank, Willowmore  
Standard Bank, Steylerville

### **Auditors**

Auditor General South Africa

### **Principal Activities**

The principal activities of the municipality are:  
- Provide democratic and accountable government  
- Ensure sustainable service delivery to the communities  
- Promote social and economic development  
- Provide basic services to the community



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

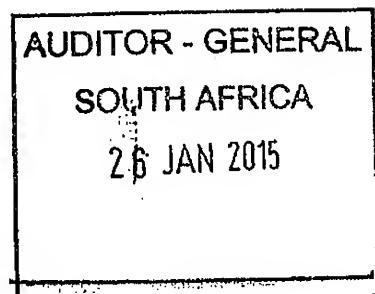
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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)



## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with South African Statements of Generally Accepted Accounting Practice (GRAP) And the Municipal Finance Management Act (MFMA) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

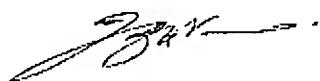
The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The councilors are remunerated within the upper limits of the framework envisaged in Section 219 of the Constitution, as required by the MFMA, section 124(1)(a)

Although the accounting officer is primarily responsible for the financial affairs of the municipality, he is supported by the municipality's external auditors.

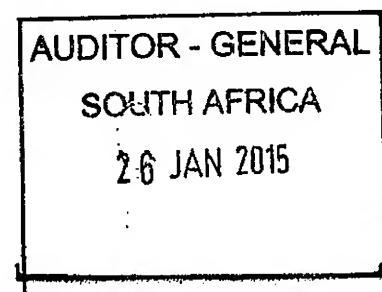
The external auditors are responsible for independently reviewing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 4.

The annual financial statements set out on pages 4 to 61, which have been prepared on the going concern basis, were approved by the accounting officer on 29 August 2014 and were signed by him:



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JZA Vumazonke  
Municipal Manager



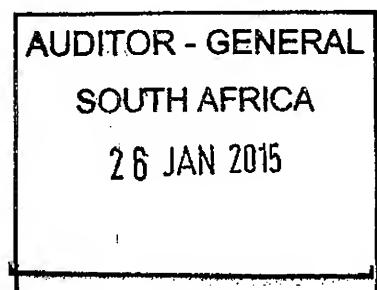
## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

### STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

Figures in Rand

	Notes	2014	2013
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	9 305	48 234
Other receivables	3	405 499	337 500
VAT receivable	4	2 341 752	2 112 575
Trade receivables	5	1 405 213	766 754
Cash and cash equivalents	6	471 968	299 470
		<b>4 633 737</b>	<b>3 564 533</b>
<b>Non-Current Assets</b>			
Investment property	7	38 374 000	39 700 500
Property, plant and equipment	8	204 814 329	184 644 963
Intangible assets	9	4	4
Heritage assets	10	-	-
		<b>243 188 333</b>	<b>224 345 467</b>
Non-current assets held for sale	11	8 500	110 000
<b>Total Assets</b>		<b>247 830 570</b>	<b>228 020 000</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Repayment - National Revenue Fund	12	4 500 000	-
Finance lease obligation	13	559 498	543 141
Trade and other payables	14	20 264 030	15 075 603
Consumer deposits	15	149 694	145 635
Unspent conditional grants and receipts	16	600 371	4 562 898
Provisions	17	570 035	578 040
		<b>26 643 628</b>	<b>20 905 317</b>
<b>Non-Current Liabilities</b>			
Repayment - National Revenue Fund	12	631 616	-
Finance lease obligation	13	685 711	959 693
Provisions	17	5 193 775	4 000 500
		<b>6 511 102</b>	<b>4 960 193</b>
<b>Total Liabilities</b>		<b>33 154 730</b>	<b>25 865 510</b>
<b>Net Assets</b>			
Accumulated surplus		<b>214 675 840</b>	<b>202 154 490</b>
		<b>214 675 840</b>	<b>202 154 490</b>



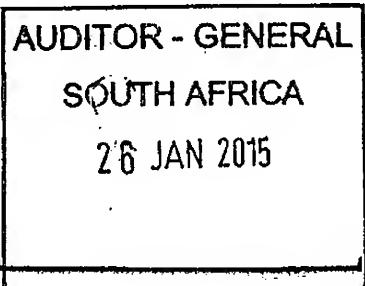
## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

### STATEMENT OF FINANCIAL PERFORMANCE

Figures in Rand

	Notes	2014	2013
<b>Revenue</b>			
Property rates	18	3 429 311	3 081 737
Service charges	19	17 480 624	15 733 045
Fines	20	9 250	3 800
Government grants & subsidies	21	61 427 522	50 088 325
Income from agency services	20	764 352	648 264
Interest received	20	580 460	480 348
Licences and permits	20	624 582	-
Rental of facilities and equipment	20	46 126	115 974
Other income	20	334 445	442 999
Gains on disposal of assets	20	152 455	7 018
Public contributions and donations	20	12 424	113 292
<b>Total revenue</b>		<b>84 861 551</b>	<b>70 714 802</b>
<b>Expenditure</b>			
Personnel	22	(20 243 282)	(18 549 643)
Remuneration of councillors	23	(1 668 650)	(1 507 253)
Debt impairment	24	(1 744 240)	(1 371 162)
Depreciation and amortisation	25	(15 645 287)	(15 373 952)
Finance costs	26	(1 090 955)	(1 084 227)
Repairs and maintenance	27	(1 953 424)	(3 082 851)
Bulk purchases	28	(8 475 329)	(7 942 343)
Grants and subsidies paid	29	(5 385 989)	(5 629 261)
General Expenses	30	(14 815 042)	(11 720 893)
Impairment loss	31	(1 229 500)	(142 500)
Loss on disposal of assets	7	(88 500)	(4)
<b>Total expenditure</b>		<b>(72 340 198)</b>	<b>(66 404 089)</b>
<b>Surplus for the year</b>		<b>12 521 353</b>	<b>4 310 713</b>

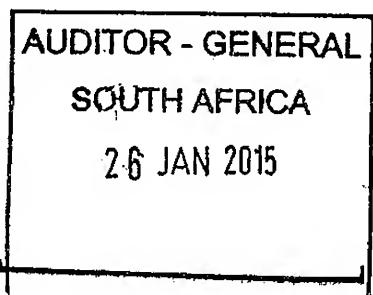


## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

### STATEMENT OF CHANGES IN NET ASSETS

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported at 01 July 2012	197 307 617	197 307 617
Adjustments		
Correction of errors	32	536 164
<b>Balance at 01 July 2012 as restated</b>	<b>197 843 781</b>	<b>197 843 781</b>
Changes in net assets		
Surplus for the year	4 310 709	4 310 709
Total changes	4 310 709	4 310 709
<b>Balance at 01 July 2013</b>	<b>202 154 487</b>	<b>202 154 487</b>
Changes in net assets		
Surplus for the year	12 521 353	12 521 353
Total changes	12 521 353	12 521 353
<b>Balance at 30 June 2014</b>	<b>214 675 840</b>	<b>214 675 840</b>



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## CASH FLOW STATEMENT

Figures in Rand

Notes 2014 2013

### Cash flows from operating activities

#### Receipts

Rates and services	18 230 060	16 428 363
Government grants & subsidies	61 427 521	50 088 325
Interest income	580 460	480 348
Other receipts	1 791 180	1 324 325
	<b>82 029 221</b>	<b>68 321 361</b>

#### Payments

Employee costs	(21 926 276)	(20 056 896)
Suppliers	(28 435 847)	(24 207 033)
Finance costs	(828 802)	(1 084 227)
	<b>(51 190 925)</b>	<b>(45 348 156)</b>

### Net cash flows from operating activities

33 **30 838 296** **22 973 205**

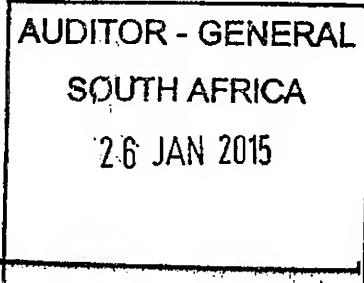
### Cash flows from investing activities

Purchase of property, plant and equipment	8	(36 041 289)	(22 921 741)
Proceeds from sale of property, plant and equipment	8	391 505	-
Purchase of investment property	7	-	(50 000)
Proceeds from sale of non-current assets held for sale	7	110 000	-
Proceeds from sale of other assets		-	7 018
<b>Net cash flows from investing activities</b>		<b>(35 539 784)</b>	<b>(22 964 723)</b>

### Cash flows from financing activities

Movement in repayment - national revenue fund	5 131 616	-
Movement in finance leases	(257 630)	173 706
<b>Net cash flows from financing activities</b>	<b>4 873 986</b>	<b>173 706</b>

<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>172 498</b>	<b>182 188</b>
Cash and cash equivalents at the beginning of the year	299 470	117 282
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>471 968</b>



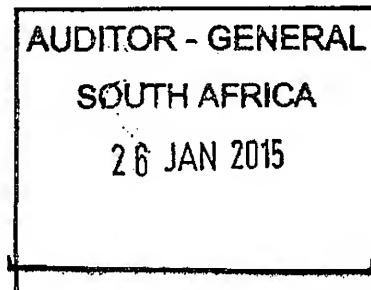
## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
Property rates	3 737 378	-	3 737 378	3 429 311	(308 067)	
Service charges	18 145 722	(162 832)	17 982 890	17 480 624	(502 266)	
Fines	20 000	(5 000)	15 000	9 250	(5 750)	A
Transfers recognised - operating	23 329 573	222 078	23 551 651	23 353 779	(197 872)	B
Rental of facilities and equipment	120 000	(81 300)	38 700	46 126	7 426	
Interest received	230 000	189 000	419 000	580 460	161 460	
Income from agency services	2 996 380	(2 258 380)	738 000	764 352	26 352	
Licences and permits	100 000	485 010	585 010	624 582	39 572	C
Other income	3 818 800	(3 480 620)	338 180	334 445	(3 735)	
Public contributions and donations	-	-	-	12 424	12 424	
Gains on disposal of assets	-	-	-	152 455	152 455	
<b>Total revenue</b>	<b>52 497 853</b>	<b>(5 092 044)</b>	<b>47 405 809</b>	<b>46 787 808</b>	<b>(618 001)</b>	
<b>Expenditure</b>						
Personnel	(19 732 410)	(806 855)	(20 539 265)	(20 243 282)	295 983	
Remuneration of councillors	(1 692 324)	-	(1 692 324)	(1 668 650)	23 674	
Debt impairment Depreciation, amortisation and impairment	-	-	-	(1 744 240)	(1 744 240)	D
	(8 000 000)	(7 600 000)	(15 600 000)	(16 874 787)	(1 274 787)	E
Finance costs	(195 000)	(868 000)	(1 063 000)	(1 090 955)	(27 955)	
Bulk purchases	(9 396 000)	149 585	(9 246 415)	(8 475 329)	771 086	F
Grants and subsidies paid	(5 718 176)	(21 000)	(5 739 176)	(5 385 989)	353 187	
Loss on disposal of assets	-	-	-	(88 500)	(88 500)	G
General Expenses	(14 792 017)	281 644	(14 510 373)	(16 768 466)	(2 258 093)	H
<b>Total expenditure</b>	<b>(59 525 927)</b>	<b>(8 864 626)</b>	<b>(68 390 553)</b>	<b>(72 340 198)</b>	<b>(3 949 645)</b>	
<b>Operating deficit</b>	<b>(7 028 074)</b>	<b>(13 956 670)</b>	<b>(20 984 744)</b>	<b>(25 552 390)</b>	<b>(4 567 646)</b>	
Transfers recognised - capital	39 428 500	2 985 450	42 413 950	38 073 743	(4 340 207)	B
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>32 400 426</b>	<b>(10 971 220)</b>	<b>21 429 206</b>	<b>12 521 353</b>	<b>(8 907 853)</b>	



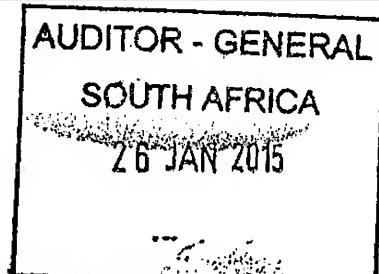
# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Inventories	20 000	-	20 000	9 305	(10 695)	
Other receivables	148 000	1 092 000	1 240 000	405 499	(834 501)	I
VAT receivable	-	-	-	2 341 752	2 341 752	J
Consumer debtors	7 500 000	(4 034 650)	3 465 350	1 405 213	(2 060 137)	K
Cash and cash equivalents	1 846 177	(1 846 177)	-	471 968	471 968	
	<b>9 514 177</b>	<b>(4 788 827)</b>	<b>4 725 350</b>	<b>4 633 737</b>	<b>(91 613)</b>	
<b>Non-Current Assets</b>						
Investment property	10 155	39 570 845	39 581 000	38 374 000	(1 207 000)	L
Property, plant and equipment	76 823 802	135 453 247	212 277 049	204 814 329	(7 462 720)	M
Intangible assets	466 343	(466 343)	-	4	4	
	<b>77 300 300</b>	<b>174 557 749</b>	<b>251 858 049</b>	<b>243 188 333</b>	<b>(8 669 716)</b>	
Non-current assets held for sale and assets of disposal groups	-	-	-	8 500	8 500	
<b>Total Assets</b>	<b>86 814 477</b>	<b>169 768 922</b>	<b>256 583 399</b>	<b>247 830 570</b>	<b>(8 752 829)</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Repayment - National Revenue Fund	-	-	-	4 500 000	4 500 000	N
Finance lease obligation	310 000	440 000	750 000	559 498	(190 502)	
Trade and other payables	7 000 000	6 000 000	13 000 000	20 264 030	7 264 030	O
Consumer deposits	145 000	-	145 000	149 694	4 694	
Unspent conditional grants and receipts	-	-	-	600 371	600 371	P
Provisions	1 290 000	-	1 290 000	570 035	(719 965)	Q
Bank overdraft	-	5 113 803	5 113 803	-	(5 113 803)	R
	<b>8 745 000</b>	<b>11 553 803</b>	<b>20 298 803</b>	<b>26 643 628</b>	<b>6 344 825</b>	
<b>Non-Current Liabilities</b>						
Repayment - National Revenue Fund	-	-	-	631 616	631 616	S
Finance lease obligation	-	1 660 000	1 660 000	685 711	(974 289)	T
Provisions	4 125 000	-	4 125 000	5 193 775	1 068 775	Q
	<b>4 125 000</b>	<b>1 660 000</b>	<b>5 785 000</b>	<b>6 511 102</b>	<b>726 102</b>	
<b>Total Liabilities</b>	<b>12 870 000</b>	<b>13 213 803</b>	<b>26 083 803</b>	<b>33 154 730</b>	<b>7 070 927</b>	
<b>Net Assets</b>	<b>73 944 477</b>	<b>156 555 119</b>	<b>230 499 596</b>	<b>214 675 840</b>	<b>(15 823 756)</b>	
<b>Net Assets</b>						
<b>Reserves</b>						
Accumulated surplus	73 944 477	156 555 119	230 499 596	214 675 840	(15 823 756)	



## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
<b>Figures in Rand</b>					

The reason for the amended budget was mainly due to reallocations as well as increases to non cash flow line items.

#### A. Fines

The function is performed by the Department of Transport. The municipality does not have any control.

#### B. Government grants and subsidies received

A grant from the Department of Human Settlements of R3,100,000 for the Construction of Down housing was budgeted for but did not materialise due to a delay in the authorisation for the project. An additional amount of R2,000,000 was received from National Treasury in respect of the Municipal Infrastructure Grant for good performance that was not budgeted for. An amount of R12,000,000 was gazetted in the DORA for the Regional Bulk Infrastructure Grant and this amount was budgeted for. Subsequently it was discovered that the full amount would not be received because of the difference in the financial years of the Department of Water Affairs and the Municipality. This resulted in an amount of R3,600,000 not being received in this financial year.

#### C. Licences and permits

The function of issuing drivers and learners license is a new function which started during the 2013/14 financial year. The income realised from this function was more than anticipated..

#### D. Debt impairment

The budget was based on a 100% collection rate which did not materialise.

#### E. Depreciation and amortisation

The new valuation rolls effective 1/7/2014 indicated an impairment on a number of investment properties which was not anticipated.

#### F. Bulk purchases

Less electricity consumption than anticipated.

#### G. Loss on disposal

Land was sold at less than market value.

#### H. General expenses

The overexpenditure on general expenses mainly relates to the Auditor General's fees. The budget was based on 1% of expenditure as prescribed whilst the total audit fees amounted to R2,400,000.

#### I. Other receivables

Less receivables than anticipated

#### J. VAT receivables

Did not budget for VAT provisions, eg. VAT provisions on debtors.

#### K. Consumer debtors

Did not budget for an increase in the provision for bad debts.

#### L. Investment Property

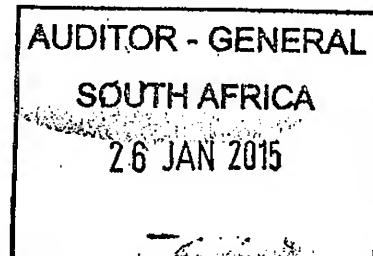
Restatements are due to audit queries which were considered in the budget

#### M. Property, plant and equipment

Budget could not materialize due to cash flow constraints as well as construction of Down housing did not materialize due to differences in financial years of DWA and the municipality. An amount of R3.6 million was already received and spent on capital projects in the previous financial year.

#### N. Repayment - National Revenue Fund

The municipality applied for a roll over of unspent conditional grants during the 2012/2013 financial year. The application was denied and the municipality is required to repay an amount of R5,131,616 to the National Revenue Fund. The municipality has requested that National Treasury reconsider the outcome.



## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

### STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
-----------------	-----------------	-------------	--------------	------------------------------------	--	-----------

#### O. Trade and other payables

The municipality experienced severe cash flow constraints which resulted in creditors not being paid within the required 30 days. The situation was reported to both Provincial and National Treasury.

#### P. Unspent conditional grants

Grants from district municipalities was only received close to financial year end. The municipality did not foresee that there would be unspent grants at year end.

#### Q. Provisions

The actuarial valuation on the post employment medical aid benefit indicated a sharp increase of R1,000,000 in the provision which was not budgeted for.

#### R. Bank overdraft

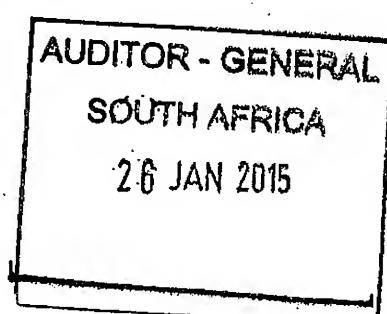
Bank overdraft repaid before year end.

#### S. Repayment National revenue fund

Roll over of unspend conditional grant was not approved by National Treasury and has to be repaid. This was not known at the time of the adjusted budget.

#### T. Finance lease obligation

Did not budget for restructuring of existing finance lease.



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and incorporate the historical cost conventions as the basis of measurement, except where specified otherwise.

The principal accounting policies, applied in the preparation of these annual financial statements, are set out below.

These accounting policies are consistent with those applied in the preparation of the prior year financial statements, unless specified otherwise.

#### 1.1 Presentation of currency

These annual financial statements are presented in South African Rand, which is the functional currency of the entity, rounded to R1.

#### 1.2 Going concern

These annual financial statements were prepared based on the expectation that the entity will continue to operate as a going concern for at least 12 months.

#### 1.3 Budget information

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of comparison of budget and actual amounts.

#### 1.4 Comparative figures

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and / or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior years.

The nature and reasons for the reclassifications and restatements are disclosed in note 32 to the financial statements.

#### 1.5 Offsetting

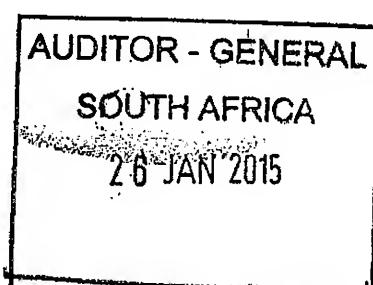
Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

#### 1.6 Significant judgements and sources of estimation uncertainty

The use of judgement, estimates and assumptions is inherent to the process of preparing annual financial statements. These judgements, estimates and assumptions affect the amounts presented in the annual financial statements. Uncertainties about these estimates and assumptions could result in outcomes that require material adjustment to the carrying amount of the relevant asset or liability in future periods.

#### Judgements

In the process of applying these accounting policies, management has made the following judgements that may have a significant effect on the amounts recognised in the annual financial statements.



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.6 Significant judgements and sources of estimation uncertainty (continued)

#### Estimates

Estimates are informed by historical experience, information currently available to management, assumptions, and other factors that are believed to be reasonable under the circumstances. These estimates are reviewed on a regular basis. Changes in estimates that are not due to errors are processed in the period of the review and applied prospectively.

In the process of applying the entity's accounting policies, the following estimates were made:

#### Inventory

The estimation of the water stock in the reservoirs is based on the measurement of water via electronic level sensors, which determines the depth of water in the reservoirs, which is then converted into volumes based on the total capacity of the reservoir.

#### Impairments of non-financial assets

In determining the value-in-use of non-financial assets, management is required to rely on the use of estimates about the asset's ability to continue to generate cash flows (in the case of cash-generating assets). For non-cash-generating assets, estimates are made regarding the depreciated replacement cost, restoration cost, or service units of the asset, depending on the nature of the impairment and the availability of information.

#### Provisions

Provisions are measured as the present value of the estimated future outflows required to settle the obligation. In the process of determining the best estimate of the amounts that will be required in future to settle the provision management considers the weighted average probability of the potential outcomes of the provisions raised. This measurement entails determining what the different potential outcomes are for a provision as well as the financial impact of each of those potential outcomes. Management then assigns a weighting factor to each of these outcomes based on the probability that the outcome will materialise in future. The factor is then applied to each of the potential outcomes and the factored outcomes are then added together to arrive at the weighted average value of the provisions. Additional disclosure of these estimates of provisions are included in note 17 - Provisions.

#### Pension and other post-employment benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate, future salary increase, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

#### Allowance for doubtful debts

The measurement of receivables is derived after consideration of the allowance for doubtful debts. Management makes certain assumptions regarding the categorisation of debtors into groups with similar risk profiles so that the effect of any impairment on a group of receivables would not differ materially from the impairment that would have been determined had each debtor been assessed for impairment on an individual basis. The determination of this allowance is predisposed to the utilisation of estimates, assumptions and management judgements. In determining this allowance the estimates are made about the probability of recovery of the debtors based on their past payment history and risk profile.

#### Provision for rehabilitation of refuse landfill sites

The entity has an obligation to rehabilitate its landfill sites in terms of its license stipulations. Provision is made for this obligation based on the size / extent of the land to be rehabilitated, the rehabilitation cost per square meter, the monitoring cost per square meter, and the rehabilitation period. Current costs are projected using the average rate of inflation over the remaining period until rehabilitation, and then discounted to their present value using an appropriate discounting rate, representing the time value of money.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.6 Significant judgements and sources of estimation uncertainty (continued)

#### Depreciation and amortisation

Depreciation and amortisation recognised on property, plant and equipment and intangible assets are determined with reference to the useful lives and residual values of the underlying items. The useful lives and residual values of assets are based on management's estimation of the asset's current condition, expected condition at the end of the period of use, its current use, expected future use and the entity's expectations about the availability of finance to replace the asset at the end of its useful life. In evaluating the useful life and residual value management considers the impact of technology and minimum service requirements of the assets.

#### 1.7 Investment property

##### Initial recognition and measurement

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services, to meet service delivery objectives, for administrative purposes or sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property (property, plant and equipment), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the entity accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

The cost of day to day servicing of investment property is recognised in the Statement of Financial Performance as incurred.

##### Subsequent measurement

###### Cost model

Subsequent to initial recognition investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation recognised on investment property is determined with reference to the useful lives and residual values of the underlying items. Depreciation is provided to write down the cost, less estimated residual value by equal instalments over the useful life of the property, which is as follows:

Item	Useful life
Buildings	30 years

Land is not depreciated as it is considered to have an indefinite useful life.

##### Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an Investment Property is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.7 Investment property (continued)

#### Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance in the period of retirement or disposal.

### 1.8 Property, plant and equipment

#### Initial recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits or service potential associated with the item will flow to the municipality and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the cost of dismantling and removing the asset and restoring the site on which it is operated.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Major spare parts and servicing equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and servicing equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

#### Subsequent measurement

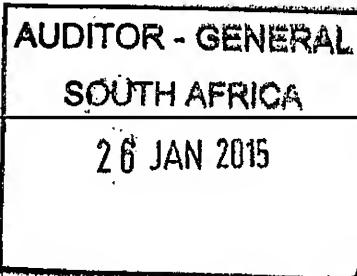
Subsequent to initial recognition, property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land, which is not depreciated as it is deemed to have an indefinite useful life.

#### Subsequent expenditure

Where the entity replaces part of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

#### Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Components that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciable amount is determined after taking into account an asset's residual value.



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

### 1.8 Property, plant and equipment (continued)

The annual depreciation rates are based on the following estimated useful lives:

Item	Average useful life
<b>Infrastructure</b>	
Roads and paving	10-30 years
Water	15-20 years
Pedestrian malls	20 years
Electricity	20-30 years
Sewerage	15-20 years
Gas	20 years
Airports	20 years
Security	3-5 years
<b>Community</b>	
Buildings	30 years
Recreational equipment	20 years
<b>Other</b>	
Buildings	30 years
Office equipment	3-7 years
Furniture and fittings	7-10 years
Bins and containers	5-10 years
Emergency equipment - fire hoses and emergency lights	5 years
Emergency equipment - other firefighting equipment	15 years
Motor vehicles - motor cycles	3 years
Motor vehicles - fire engines	20 years
Motor vehicles - other	5-10 years
Plant and equipment - farming and construction	10-15 years
Plant and equipment - Specialised equipment	5 years
Plant and equipment - lawn mowers	2 years
Other	15 years

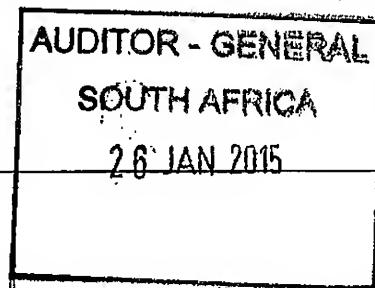
### Impairments

The entity tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the Statement of Financial Performance in the period that the impairment is identified. An impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised. A reversal of the impairment is recognised in the Statement of Financial Performance.

### Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.9 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. The entity recognises an intangible asset in its Statement of Financial Position when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and the cost or fair value of the asset can be measured reliably.

An internally generated intangible asset is subject to strict recognition criteria before it is capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

- the entity intends to complete the intangible asset, for use or sale
- it is technically feasible to complete the intangible asset
- the entity has the resources to complete the project
- it is probable that it will generate future economic benefits or service potential.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

#### Subsequent measurement

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The cost of an intangible asset is amortised over the useful life where that useful life is finite. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Financial Performance in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life assumption continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

#### Amortisation and impairment

Amortisation is charged to write off the cost of intangible assets over their estimated useful lives using the straight-line method.

The annual amortisation rates are based on the following estimated average asset lives:

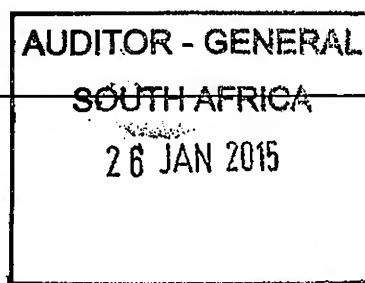
Computer software	5 years
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#### Impairments

The entity tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is performed at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

#### Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits or service potential are expected from its use or disposal.



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.9 Intangible assets (continued)

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

### 1.10 Financial instruments

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Upon initial recognition the entity classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument meets the relevant definitions.

Financial instruments are evaluated, based on their terms, to determine if those instruments contain both liability and residual interest components (i.e. to assess if the instruments are compound financial instruments). To the extent that an instrument is in fact a compound instrument, the components are classified separately as financial liabilities and residual interests as the case may be.

#### Initial measurement

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Subsequent measurement

Subsequent to initial recognition, financial assets and financial liabilities are measured at fair value, amortised cost or cost.

All financial assets and financial liabilities are measured after initial recognition using the following categories:

a) Financial instruments at fair value:

derivatives;

combined instruments that are designated at fair value;

instruments held for trading. A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

b) Financial instruments at amortised cost

Non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that the entity designates at fair value at initial recognition or are held for trading.

c) Financial instruments at cost

Investments in residual interest, which do not have quoted market prices and for which fair value cannot be determined reliably.

The entity assesses which instruments should be subsequently measured at fair value, amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or cost, based on the definitions of financial instruments at fair value, financial instruments at amortised cost or financial instruments at cost as set out above.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.10 Financial instruments (continued)

#### Impairments

All financial assets measured at cost or amortised cost are subject to an impairment review. The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

##### Financial assets measured at amortised cost:

The entity first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant and individually or collectively for financial assets that are not individually significant. If the entity determines that no objective evidence of impairment exists for an individually assessed asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

##### Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### Derecognition

#### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

the contractual rights to the cash flows from the financial asset expire, are settled or waived;

the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :

- derecognise the asset; and
- recognise separately any rights and obligations created or retained in the transfer.

#### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when the obligation is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

AUDITOR - GENERAL  
SOUTH AFRICA

26 JAN 2015

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.10 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Policies relating to specific financial instruments

##### Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost.

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

##### Trade and other receivables

Trade and other receivables are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition and subsequently stated at amortised cost less provision for impairment. All trade and other receivables are assessed at least annually for possible impairment. Impairments of trade and other receivables are determined in accordance with the accounting policy for impairments. Impairment adjustments are made through the use of an allowance account.

Bad debts are written off in the year in which they are identified as irrecoverable. Amounts receivable within 12 months from the reporting date are classified as current. Interest is charged on overdue accounts.

##### Trade and other payables

Trade payables are initially measured at fair value plus transaction costs that are directly attributable to the acquisition and are subsequently measured at amortised cost.

### 1.11 Leases

#### Finance leases - lessee

##### Initial recognition

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the entity through the lease agreement. Assets subject to finance leases are recognised in the Statement of Financial Position at the inception of the lease, as is the corresponding finance lease liability.

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

##### Subsequent measurement

Subsequent to initial recognition the finance lease liability is carried at amortised cost, with the lease payments being set off against the capital and accrued interest. The allocation of the lease payments between the capital and interest portion of the liability is effected through the application of the effective interest method.

The finance charges resulting from the finance lease are expensed, through the Statement of Financial Performance, as they accrue. The finance cost accrual is determined using the effective interest method.

Finance lease liabilities are derecognised when the entity's obligation to settle the liability is extinguished. The assets capitalised under the finance lease are derecognised when the entity no longer expects any economic benefits or service potential to flow from the asset.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.11 Leases (continued)

#### Operating leases - lessor

For those leases classified as operating leases the asset subject to the lease is not derecognised and no lease receivable is recognised at the inception of the lease.

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term. The difference between the straight-lined lease payments and the contractual lease payments are recognised as either an operating lease asset or operating lease liability. An operating lease liability is raised to the extent that lease payments are received in advance (i.e. the straight-line lease payments are more than the contractual lease payments). The operating lease asset and / or operating lease liability are measured as the undiscounted difference between the straight-line lease receipts and the contractual lease receipts.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in the statement of financial performance.

#### Operating leases - lessee

Assets subject to operating leases, i.e. those leases where substantially all of the risks and rewards of ownership are not transferred to the lessee through the lease, are not recognised in the Statement of Financial Position.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.12 Inventories

#### Initial recognition and measurement

Inventories are initially measured at cost. Cost refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their required location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Water inventory is being measured by multiplying the cost per kilo litre of purified water by the amount of water in storage.

Where inventory is acquired for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

#### Subsequent measurement

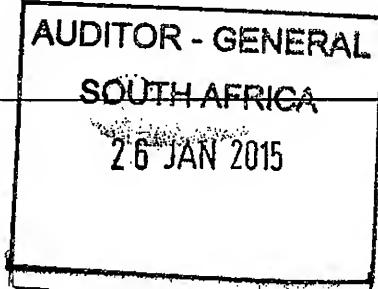
Inventories, consisting of consumable stores, raw materials, work-in-progress (WIP) and finished goods (FG), are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Water inventory is measured annually at the reporting date by way of dip readings and the calculated volume in the distribution network.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value.

#### Derecognition

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.13 Employee benefits

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short term employee benefits are recognised in the Statement of Financial Performance as services are rendered, except for non-accumulating benefits, which are recognised when the specific event occurs. These short term employee benefits are measured at their undiscounted costs in the period the employee renders the related service or the specific event occurs.

#### Post-employment benefits

The entity provides post employment benefits for its officials. These benefits are provided as either defined contribution plans or defined benefit plans. The entity identifies as defined contribution plans any post-employment plan in terms of which it has no obligation to make further contributions to the plan over and above the monthly contributions payable on behalf of employees (for example in the event of a funding shortfall). Any other plans are considered to be defined benefit plans.

#### Defined contribution plans

Contributions made towards the fund are recognised as an expense in the Statement of Financial Performance in the period that such contributions become payable. This contribution expense is measured at the undiscounted amount of the contribution paid or payable to the fund. A liability is recognised to the extent that any of the contributions have not yet been paid. Conversely an asset is recognised to the extent that any contributions have been paid in advance.

#### Post retirement medical obligations

The municipality provides post-retirement medical benefits by subsidising the medical contributions of certain retired staff members according to the rules of the medical aid funds. Council pays 70% of the contributions and the remaining 30% is paid by the members.

The entitlement to post-retirement medical benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations, in accordance with GRAP 25 - "Employee Benefits". The plan is unfunded.

The contributions are recognised in the statement of financial performance when the employees have rendered the service entitling them to the contribution. The liability was calculated by means of the projected unit credit actuarial valuation method. The liability is recognised at the present value of the defined benefit obligation at the reporting date, minus the fair value of the plan assets (if any) out of which the obligations are to be settled directly, plus any liability that may arise as a result of minimum funding requirements. Payments made by the municipality are set-off against the liability, including notional interest, resulting from the valuation by the actuaries, and are recognised in the Statement of Financial Performance upon valuation.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are recognised in the Statement of Financial Performance in the period that it occurs. These obligations are valued annually by independent qualified actuaries.

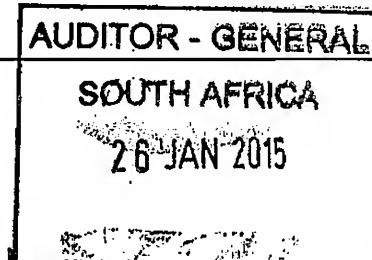
### 1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.14 Provisions and contingencies (continued)

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 43.

### 1.15 Revenue from exchange transactions

Revenue from exchange transactions refers to revenue that accrues to the entity directly in return for services rendered or goods sold, the value of which approximates the consideration received or receivable, excluding indirect taxes, rebates and discounts.

#### Recognition

Revenue from exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue arising out of situations where the entity acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the entity as compensation for executing the agreed services.

#### Specific exchange revenue sources

Service charges relating to electricity and water are based on consumption. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Electricity meters in industrial areas are read at the end of each month and billed the following month. Premises with high-tension electricity supplies are read and billed monthly.

Revenue arising from the consumption of electricity and water in the month of June is fully accounted for whether invoiced or not.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale. At reporting date, an estimate of the prepaid electricity consumed is made and revenue is adjusted accordingly. The estimate is based on trend analysis and historical data of electricity consumption.

Service charges from sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff. Tariffs are determined per category of property usage and are levied on a monthly basis.

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

### 1.15 Revenue from exchange transactions (continued)

Rental income arising on facilities and equipment is accounted for on a straight-line basis over the lease terms on ongoing leases.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and rebates.

### 1.16 Revenue from non-exchange transactions

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

#### Recognition

Revenue from non-exchange transactions is only recognised once all of the following criteria have been satisfied:

- a) The entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- b) The amount of revenue can be measured reliably; and
- c) It is probable that the economic benefits or service potential associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Council applies a flat rating system. The same rate factor is applied for land and buildings. In terms of this system, assessment rates are levied on the value of land and buildings in respect of properties. Rebates are granted according to the use of the property concerned. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Fines are recognised when it is probable that future economic benefits will flow to the entity, the costs can be reliably measured and all restrictions have been complied with. Fines constitute both spot fines and summonses. Revenue from spot fines is recognised when payment is received and the revenue from the issuing of summonses is recognised when collected. Due to the various legal processes that can apply to summonses and the inadequate information available from the courts, it is not possible to measure this revenue in the invoicing period.

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset and there is not a corresponding liability in respect of related conditions.

#### Measurement

An asset that is recognised as a result of a non-exchange transaction is recognised at its fair value at the date of the transfer. Consequently, revenue arising from a non-exchange transaction is measured at the fair value of the asset received, less the amount of any liabilities that are also recognised due to conditions that must still be satisfied.

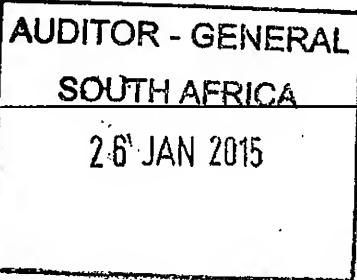
Where there are conditions attached to a grant, transfer or donation that gave rise to a liability at initial recognition, that liability is transferred to revenue as and when the conditions attached to the grant are met.

Grants without any conditions attached are recognised as revenue in full when the asset is recognised, at an amount equalling the fair value of the asset received.

Interest earned on the investment is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor.

### 1.17 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.18 Unauthorised expenditure

Unauthorised expenditure means:

overspending of a vote or a main division within a vote; and  
expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.19 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.20 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.21 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and other entity are subject to common control.

Transactions between related parties other than transactions that would occur within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those which it is reasonable to expect the entity would have adopted if dealing with that individual or entity at arm's length in the same circumstances are disclosed within the annual financial statements.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.22 Heritage assets

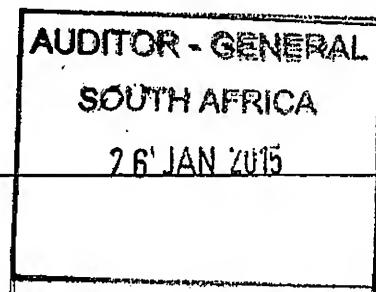
Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated due to the uncertainty regarding their estimated useful lives.

### Transitional provision

The municipality has taken advantage of the three year exemption on the measurement of Heritage Assets allowed by National Treasury.

### 1.23 Taxes - Value added tax

Revenue, expenses and assets are recognised net of the amounts of value added tax. The net amount of value added tax recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position.



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## ACCOUNTING POLICIES

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### 1.24 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell.

### 1.25 Capital commitments

Capital commitments disclosed in the financial statements represents the contractual balance committed to the capital projects on reporting date that will be incurred in the period subsequent to the specific reporting date.

### 1.26 Post-reporting date events

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The entity will adjust the amounts recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.27. New standards and interpretations

#### 1.27.1 Standards and Interpretations early adopted

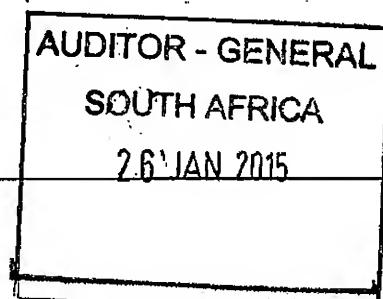
The municipality has chosen to early adopt the following standards and interpretations:

Standard/ Interpretation:	Effective date: Years beginning on or after	
GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2014	

#### 1.27.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
GRAP 105: Transfers of functions between entities under common control	01 April 2014	No significant effect
GRAP 106: Transfers of functions between entities not under common control	01 April 2014	No significant effect
GRAP 107: Mergers	01 April 2014	No significant effect



# **Baviaans Local Municipality**

Annual Financial Statements for the year ended 30 June 2014

## **ACCOUNTING POLICIES**

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### **Possible impact of initial application of standards of GRAP approved but not yet effective**

GRAP 18: Segment Reporting - It is expected that this will only result in additional disclosures without affecting the underlying accounting.

GRAP 105: Transfers of functions between entities under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 106: Transfers of functions between entities not under common control - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 107: Mergers - No significant impact is expected as no such transactions or events are expected in the foreseeable future.

GRAP 20: Related parties - No significant impact is expected as the information is to a large extent already included in the financial statements

**AUDITOR - GENERAL  
SOUTH AFRICA**

**26 JAN 2015**

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 2. Inventories

Water	9 305	48 234
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### 3. Other receivables

Sundry debtor	2 000	-
Payment suspense	2 825	-
Prepayments	400 674	337 500
	405 499	337 500

### 4. VAT receivable

VAT	2 341 752	2 112 575
Opening Balance	2 112 575	1 849 796
Net movement for Output and Input VAT	3 655 934	3 975 676
Payments made / (Refunds Received)	(3 426 757)	(3 712 897)
<b>Closing Balance</b>	<b>2 341 752</b>	<b>2 112 575</b>

The municipality is registered for VAT on the payment basis.

### 5. Trade receivables

#### Gross balances

Rates	1 648 267	1 324 004
Electricity	340 846	359 101
Water	1 626 736	1 606 914
Waste water	130 598	144 004
Sewerage	717 760	612 770
Refuse	916 099	847 527
Other	136 286	(156 614)
Payments received in advance	(89 515)	(46 779)
	<b>5 427 077</b>	<b>4 690 927</b>

Debtors with credit balances	130 211	110 477
Less: Provision for debt impairment	(4 152 075)	(4 034 650)
	<b>(4 021 864)</b>	<b>(3 924 173)</b>

<b>Net balance</b>	<b>1 405 213</b>	<b>766 754</b>
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#### Rates

Current (0 -30 days)	67 289	49 148
31 - 60 days	28 681	19 422
61 - 90 days	24 236	19 165
91 - 120 days	22 307	17 403
121 - 365 days	1 505 754	1 218 866
	<b>1 648 267</b>	<b>1 324 004</b>

AUDITOR - GENERAL

SOUTH AFRICA

26 JAN 2015

## Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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#### 5. Trade receivables (continued)

##### Electricity

Current (0 -30 days)	162 487	162 486
31 - 60 days	47 668	22 324
61 - 90 days	6 051	16 097
91 - 120 days	5 016	3 162
121 - 365 days	119 624	155 032
	<b>340 846</b>	<b>359 101</b>

##### Water

Current (0 -30 days)	93 521	64 135
31 - 60 days	110 563	64 399
61 - 90 days	71 755	74 793
91 - 120 days	105 480	52 698
121 - 365 days	1 245 417	1 350 889
	<b>1 626 736</b>	<b>1 606 914</b>

##### Waste water

Current (0 -30 days)	23 027	23 883
31 - 60 days	8 024	7 832
61 - 90 days	1 058	750
91 - 120 days	536	291
121 - 365 days	97 953	111 248
	<b>130 598</b>	<b>144 004</b>

##### Sewerage

Current (0 -30 days)	38 653	33 119
31 - 60 days	25 974	20 695
61 - 90 days	23 544	23 868
91 - 120 days	22 675	18 816
121 - 365 days	606 914	516 272
	<b>717 760</b>	<b>612 770</b>

##### Refuse

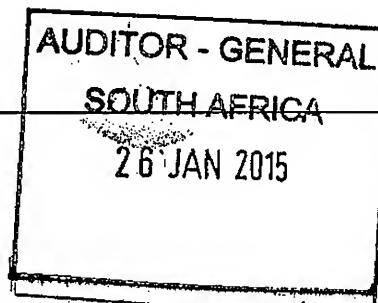
Current (0 -30 days)	74 281	67 328
31 - 60 days	34 633	25 390
61 - 90 days	27 800	21 080
91 - 120 days	26 641	19 415
121 - 365 days	752 744	714 314
	<b>916 099</b>	<b>847 527</b>

##### Debtors with credit balances

Provision for debt impairment	(4 152 075)	(4 034 650)
	<b>(4 021 864)</b>	<b>(3 924 173)</b>

##### Payments received in advance

Current (0 -30 days)	(89 515)	(46 779)
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# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 5. Trade receivables (continued)

Other		
Current (0 -30 days)	10 772	38 383
31 - 60 days	2 238	21 084
61 - 90 days	2 257	24 965
91 - 120 days	3 101	19 688
121 - 365 days	117 918	(260 734)
	<b>136 286</b>	<b>(156 614)</b>

### Summary of debtors by customer classification

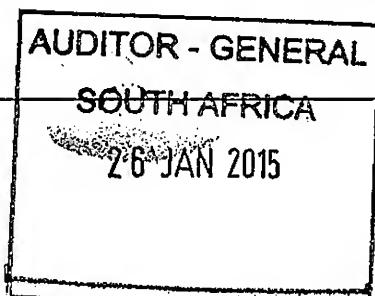
Consumers		
Current (0 -30 days)	208 122	180 663
31 - 60 days	180 697	124 717
61 - 90 days	136 860	154 659
91 - 120 days	147 770	110 962
121 - 365 days	4 377 965	3 870 775
	<b>5 051 414</b>	<b>4 441 776</b>

Industrial/ commercial		
Current (0 -30 days)	80 334	73 794
31 - 60 days	3 056	3 932
61 - 90 days	1 959	671
91 - 120 days	1 965	821
121 - 365 days	15 463	13 531
	<b>102 777</b>	<b>92 749</b>

National and provincial government		
Current (0 -30 days)	92 059	96 214
31 - 60 days	74 027	42 720
61 - 90 days	17 882	1 520
91 - 120 days	36 022	872
121 - 365 days	52 897	15 076
	<b>272 887</b>	<b>156 402</b>

Total		
Current (0 -30 days)	380 514	350 671
31 - 60 days	257 780	171 368
61 - 90 days	156 701	156 850
91 - 120 days	185 757	112 656
121 - 365 days	4 446 325	3 899 382
	<b>5 427 077</b>	<b>4 690 927</b>
Debtors with credit balances	130 211	110 477
Less: Provision for debt impairment	(4 152 075)	(4 034 650)
	<b>1 405 213</b>	<b>766 754</b>

Total debtor past due but not impaired		
61 - 90 days	58 962	9 375
91 - 120 days	72 817	30 541
121 - 365 days	411 250	-
	<b>543 029</b>	<b>39 916</b>



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 5. Trade receivables (continued)

#### Reconciliation of allowance for impairment

Balance at beginning of the year	(4 034 650)	(3 690 648)
Contributions to allowance	(1 744 240)	(1 332 620)
Debt impairment written off against allowance	1 626 815	988 618
	<u>(4 152 075)</u>	<u>(4 034 650)</u>

### 6. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	625	325
Bank balances	461 063	291 715
Short-term deposits	10 280	7 430
	<u>471 968</u>	<u>299 470</u>

The municipality had the following bank accounts

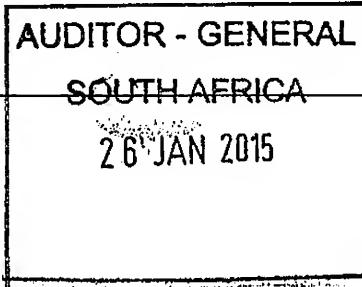
Account number / description	Bank statement balances			Cash book balances		
	30 June 2014	30 June 2013	30 June 2012	30 June 2014	30 June 2013	30 June 2012
ABSA Bank - Cheque Account - 4053623514	389 030	262 002	86 582	345 032	291 715	109 639
Standard Bank - Cheque Account - 280252013	76 864	69 663	54 139	116 031	-	-
Standard Bank - Call Investment Account - 28875729-001	6 186	6 054	5 943	6 186	6 054	5 943
ABSA Bank - Fixed deposit - 9190855277	-	1 376	1 375	-	1 376	1 375
ABSA Bank - Fixed deposit - 92-8656-0237	1 000	-	-	1 000	-	-
Standard Bank - Fixed deposit - 638042060-001	2 631	-	-	2 631	-	-
ABSA Bank - Fixed deposit - 91-6875-2598	463	-	-	463	-	-
<b>Total</b>	<b>476 174</b>	<b>339 095</b>	<b>148 039</b>	<b>471 343</b>	<b>299 145</b>	<b>116 957</b>

### 7. Investment property

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	39 528 000	(1 154 000)	38 374 000	39 700 500	-	39 700 500

#### Reconciliation of investment property - 2014

	Opening balance	Disposals	Transfers	Impairments	Total
	Investment property	39 700 500	(88 500)	(8 500)	(1 229 500)



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 7. Investment property (continued)

#### Reconciliation of investment property - 2013

	Opening balance	Additions	Transfers	Impairments	Total
Investment property	39 903 000	50 000	(160 000)	(92 500)	39 700 500
Fair value of investment properties				45 329 500	39 700 500

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

No operation costs or income was derived from investment properties.

### 8. Property, plant and equipment

	2014			2013		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	799 000	-	799 000	799 000	-	799 000
Community assets	2 389 474	(1 333 854)	1 055 620	2 389 474	(1 181 612)	1 207 862
Infrastructure	317 246 970	(156 932 496)	160 314 474	303 207 850	(143 030 028)	160 177 822
Landfill sites	723 779	(470 627)	253 152	711 365	(389 448)	321 917
Leased and other assets	10 383 173	(7 224 064)	3 159 109	10 731 055	(6 631 485)	4 099 570
Buildings	6 965 500	(5 980 328)	985 172	6 965 500	(5 892 678)	1 072 822
Work-in-progress	38 247 802	-	38 247 802	16 965 970	-	16 965 970
<b>Total</b>	<b>376 755 698</b>	<b>(171 941 369)</b>	<b>204 814 329</b>	<b>341 770 214</b>	<b>(157 125 251)</b>	<b>184 644 963</b>

#### Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Disposals	Transfers	Depreciation	Total
Land	799 000	-	-	-	-	799 000
Community assets	1 207 862	-	-	-	(152 242)	1 055 620
Infrastructure	160 177 822	-	-	14 039 120	(13 902 468)	160 314 474
Buildings	1 072 822	-	-	-	(87 650)	985 172
Landfill sites	321 917	12 414	-	-	(81 179)	253 152
Lease and other assets	4 099 570	720 337	(239 049)	-	(1 421 749)	3 159 109
Work-in-progress	16 965 970	35 320 952	-	(14 039 120)	-	38 247 802
<b>Total</b>	<b>184 644 963</b>	<b>36 053 703</b>	<b>(239 049)</b>	<b>-</b>	<b>(15 645 288)</b>	<b>204 814 329</b>

#### Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Transfers	Depreciation	Total
Land	799 000	-	-	-	799 000
Community assets	1 360 103	-	-	(152 241)	1 207 862
Infrastructure	151 047 246	-	22 461 610	(13 331 034)	160 177 822
Buildings	1 165 952	-	-	(93 130)	1 072 822
Landfill sites	399 981	92	-	(78 156)	321 917
Leased and other assets	4 697 049	1 062 731	-	(1 660 210)	4 099 570
Work-in-progress	17 568 662	21 858 918	(22 461 610)	-	16 965 970
<b>Total</b>	<b>177 037 993</b>	<b>22 921 741</b>	<b>-</b>	<b>(15 314 771)</b>	<b>184 644 963</b>

# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 8. Property, plant and equipment (continued)

The gross carrying value of fully depreciated property, plant and equipment still in use amounts to R2 246 804.

#### Contractual commitments for the acquisition of property, plant and equipment

Infrastructure	23 943 164	16 865 005
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A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

### 9. Intangible assets

	2014			2013		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Computer software	466 343	(466 339)	4	466 343	(466 339)	4

#### Reconciliation of intangible assets - 2014

	Opening balance	Total
Computer software	4	4

#### Reconciliation of intangible assets - 2013

	Opening balance	Amortisation	Total
Computer software	59 186	(59 182)	4

### 10. Heritage assets

The municipality owns the following heritage assets:

The Heroes of Steytlerville monument, situated in Steytlerville, in honour of persons that died during the apartheid struggle.

The Great War Memorial monument, situated in Steytlerville, in honour of service men killed during the First World War.

The municipality owns registered servitudes.

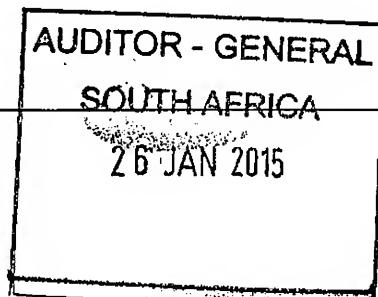
#### Transitional provision

The municipality has taken advantage of the three year exemption on the measurement of Heritage Assets allowed by National Treasury.

### 11. Non-current assets held for sale

	Opening balance	Additions	Disposals	Total
Non-current assets held for sale	110 000	8 500	(110 000)	8 500

Erf 1760 and 2119 were sold but had not yet been transferred at 30 June 2014.



## Baviaans Local Municipality

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#### 12. Repayment - National Revenue Fund

Public Works - EPWP	264 524	-
Municipal Infrastructure grant	4 867 092	-
	<b>5 131 616</b>	-

<b>Total other financial liabilities</b>	<b>5 131 616</b>	-
--	------------------	---

The municipality applied for a roll over on the 2012/2013 unspent conditional grants. The application was denied and the municipality is required to repay R5,131,616.

The amount is repayable in instalments of R1,500,000 to be deducted from the next four tranches of the equitable share grant.

<b>Non-current liabilities</b>		
At amortised cost	631 616	-

<b>Current liabilities</b>		
At amortised cost	4 500 000	-

#### 13. Finance lease obligation

<b>Minimum lease payments due</b>		
- within one year	716 399	718 139
- in second to fifth year inclusive	739 310	1 426 580
	<b>1 455 709</b>	<b>2 144 719</b>
less: future finance charges	(210 499)	(641 885)
	<b>1 245 210</b>	<b>1 502 834</b>

<b>Present value of minimum lease payments due</b>		
- within one year	559 498	543 141
- in second to fifth year inclusive	685 712	959 693
	<b>1 245 210</b>	<b>1 502 834</b>

<b>Non-current liabilities</b>		
Current liabilities	685 711	959 693
	559 498	543 141

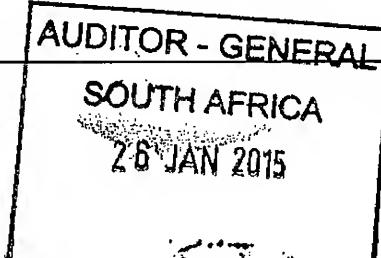
**1 245 209** **1 502 834**

The average lease term was 3 years and the effective borrowing rate ranges between prime and prime plus 18%.

The municipality's obligations under finance leases are secured by the lessor's title over the leased assets. .

#### 14. Trade and other payables

Trade payables	18 047 758	13 673 211
Payments received in advanced	114 122	117 828
Leave pay	1 065 796	1 125 908
Direct deposits not receipted	137 255	47 153
Sundry deposits	7 182	1 026
Retentions	761 706	-
Debtors with credit balances	130 211	110 477
	<b>20 264 030</b>	<b>15 075 603</b>



## Baviaans Local Municipality

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#### 15. Consumer deposits

Electricity	27 079	27 079
Water	122 615	118 556
	<b>149 694</b>	<b>145 635</b>

No interest accrues on consumer deposits as Baviaans Municipality is not a deposit taking entity in terms of the Banking Act.

#### 16. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

##### DORA grants

Municipal Infrastructure Grant	-	4 867 092
Regional Bulk Infrastructure Grant	(468 243)	(1 437 751)
Public works - EPWP	-	264 524
	-	-

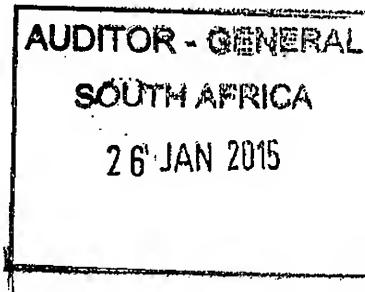
##### Other sector departmental grants

Rapid Response - DWA	498 615	669 034
Water and Sanitation	200 000	200 000
Water Service Assets	(1)	(1)
Cacadu - LED Grant	370 000	-
	<b>600 371</b>	<b>4 562 898</b>

##### Movement during the year

Balance at the beginning of the year	4 562 898	558 138
Additions during the year	42 921 460	32 211 114
Income recognition during the year	(41 752 371)	(28 206 354)
Transferred to loans	(5 131 616)	-
	<b>600 371</b>	<b>4 562 898</b>

See note 21 for reconciliation of grants from National/Provincial Government.



# Baviaans Local Municipality

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### 17. Provisions

#### Reconciliation of provisions - 2014

	Note	Opening Balance	Additions	Utilised during the year	Total
Rehabilitation of landfill		977 500	66 568	-	1 044 068
Provision for bonuses		578 040	570 035	(578 040)	570 035
Long service awards	49	1 617 000	68 661	-	1 685 661
Post employment medical aid	49	1 406 000	1 058 046	-	2 464 046
		<b>4 578 540</b>	<b>1 763 310</b>	<b>(578 040)</b>	<b>5 763 810</b>

#### Reconciliation of provisions - 2013

		Opening Balance	Additions	Total
Rehabilitation of landfill		926 189	51 311	977 500
Provision for bonuses		523 197	54 843	578 040
Long service awards		1 179 000	438 000	1 617 000
Post employment medical aid		1 209 000	197 000	1 406 000
		<b>3 837 386</b>	<b>741 154</b>	<b>4 578 540</b>
Non-current liabilities			5 193 775	4 000 500
Current liabilities			570 035	578 040
			<b>5 763 810</b>	<b>4 578 540</b>

#### Annual Bonuses

Bonuses are paid out to all employees (except for senior management) during November each year and are based on a 13th monthly basic salary.

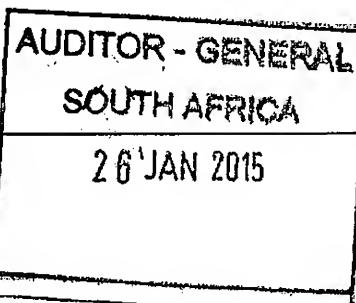
#### Long service awards

Long service awards to eligible employees are paid for services rendered by employees of 5 years and longer in five year intervals. The service awards are paid as per the collective agreement of 21 February 2011, signed by the Bargaining Council. The basis on which this was calculated is as follows:

- After 5 Continuous Years of Service - 2% of Basic Annual Salary
- After 10 Continuous Years of Service - 3% of Basic Annual Salary
- After 15 Continuous Years of Service - 4% of Basic Annual Salary
- After 20 Continuous Years of Service - 5% of Basic Annual Salary
- After 25 Continuous Years of Service - 6% of Basic Annual Salary
- After 30 Continuous Years of Service - 6% of Basic Annual Salary
- After 35 Continuous Years of Service - 6% of Basic Annual Salary
- After 40 Continuous Years of Service - 6% of Basic Annual Salary
- After 45 Continuous Years of Service - 6% of Basic Annual Salary

#### Post-employment medical benefits

This provision was valued by an independent valuator as at 30 June 2014. The valuation of this liability considers all employees, retired employees and their dependants who participate in the medical aid arrangements and are entitled to a post-employment medical aid subsidy. The Projected Unit Credit funding method has been used to determine the post-service liabilities at the valuation date and the projected annual expense in the year following the valuation date.



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 17. Provisions (continued)

#### Rehabilitation of landfill

The obligation for the environmental rehabilitation results from the onus imposed by the Environmental Conservation Act No.73 of 1989 to rehabilitate landfill sites after use. The sites are expected to be closed in 2018, after which rehabilitation will take place over the course of the next 9 to 10 years after which the site is expected to be fully rehabilitated. The following assumptions were used when calculating the provisions for Landfill Site rehabilitation:

- The CPIX was used to adjust the cost as it is the only determining factor year on year.

The landfill sites are nearing the end of their useful lives and the ground and ground water on the entire site are thus considered to be contaminated and not just the portions in use, i.e. the provision provides for the cost of rehabilitating the entire site and not just the portions used up to financial year end. The entire site would need to be rehabilitated due to waste distributed across the entire site over the years since opening thereof. Thus, as provided in GRAP 19 where it states that the provision should only be raised to the extent that the costs would need to be incurred, it is considered that the full cost of rehabilitation would need to be incurred to rehabilitate the sites.

The municipality does not have licences for the landfills therefore the sites will need to be rehabilitated in their entirety.

### 18. Property rates

#### Rates received

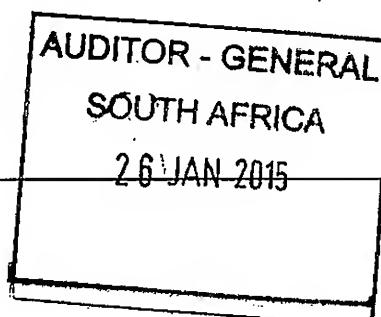
Property rates	3 429 311	3 081 737
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#### Valuations

Residential	204 471 800	191 582 200
Commercial	59 949 000	45 951 500
State	77 633 500	77 633 500
Agricultural	1 452 811 500	1 455 051 000
Vacant	12 529 000	12 524 500
Indigent	46 981 500	32 750 500
Places of worship	427 500	39 000
	<b>1 854 803 800</b>	<b>1 815 532 200</b>

The following general rates were applied during the 2013/2014 and 2012/2013 years respectively to property valuations to determine the assessment rates:

Residential properties valued below R 50 000 in Willowmore and Steytlerville	R487.03/year	R442.75/year
Residential properties valued from R50 001 to R100 000 in Willowmore and Steytlerville	R531.30/year	R483/year
Residential properties valued above R100 000 in Willowmore and Steytlerville	0.00537 c/R	0.00488 c/R
Residential properties in Rietbron	0.004092 c/R	0.00372 c/R
Businesses in Steytlerville and Willowmore	0.00690 c/R	0.00627 c/R
Agricultural properties	0.00033 c/R	0.00030 c/R
State properties	0.00873 c/R	0.00794 c/R
Businesses in rural areas	0.00695 c/R	0.00632 c/R
Vacant land	0.014674 c/R	0.1334 c/R



# Baviaans Local Municipality

Annual Financial Statements for the year ended 30 June 2014

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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<b>19. Service charges</b>		
Sanitation charges	279 746	339 514
Sale of electricity	9 818 826	8 896 544
Sale of water	3 382 391	2 946 622
Sewerage charges	1 644 671	1 418 735
Refuse removal	2 354 990	2 131 630
	<b>17 480 624</b>	<b>15 733 045</b>

## 20. Revenue

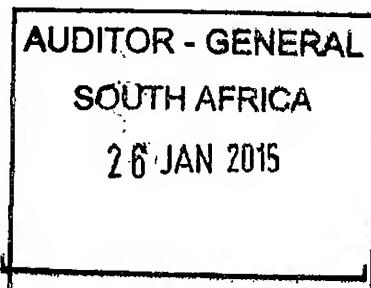
Property rates	3 429 311	3 081 737
Service charges	17 480 624	15 733 045
Fines	9 250	3 800
Government grants & subsidies	61 427 522	50 088 325
Interest received	580 460	480 348
Income from agency services	764 352	648 264
Licences and permits	624 582	-
Rental of facilities and equipment	46 126	115 974
Other income	334 445	442 999
Gain on disposal	152 455	7 018
Public contributions and donations	12 424	113 292
	<b>84 861 551</b>	<b>70 714 802</b>

**The amount included in revenue arising from exchanges of goods or services are as follows:**

Service charges	17 480 624	15 733 045
Rental of facilities and equipment	46 126	115 974
Interest received	580 460	480 348
Income from agency services	764 352	648 264
Licences and permits	624 582	-
Other income	334 445	442 999
Gain on disposal	152 455	7 018
	<b>19 983 044</b>	<b>17 427 648</b>

**The amount included in revenue arising from non-exchange transactions is as follows:**

Property rates	3 429 311	3 081 737
Government grants & subsidies	61 427 522	50 088 325
Public contributions and donations	12 424	113 292
Fines	9 250	3 800
	<b>64 878 507</b>	<b>53 287 154</b>



## Baviaans Local Municipality

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#### 21. Government grants and subsidies

Equitable share	18 694 000	15 985 000
Cacadu - IDP	-	797 695
Cacadu - LED	-	-
Library subsidies	220 000	339 608
Department of Human Settlements	259 963	-
Municipal Infrastructure Grant	14 030 000	8 537 178
Municipal Systems Improvement Grant	890 000	800 000
Subsidies: Tourism	10 000	-
Water Conservation and Demand	-	15 500
Down Housing	-	999 375
Wastewater Treatment Grant	-	1 875 862
Rapid Response Grant - DWA	170 419	-
Subsidy on audit fees	441 151	3 079 118
Department of Trade and Industry Grant (Amounts paid by Department)	16 094 260	-
Public Works - EPWP	1 045 000	2 053 476
Cacadu - Fires Services Grant	250 000	250 000
Finance Management Grant	1 400 000	1 250 000
Regional Bulk Infrastructure Grant	7 862 729	12 105 513
Vuna Awards	60 000	-
Provincial Government Grant	-	2 000 000
	<b>61 427 522</b>	<b>50 088 325</b>

#### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

#### Cacadu - IDP Grant

Balance unspent at beginning of year	-	201 026
Current-year receipts	-	596 669
Transferred to revenue	-	(797 695)
	-	-

No spend in the current financial year.

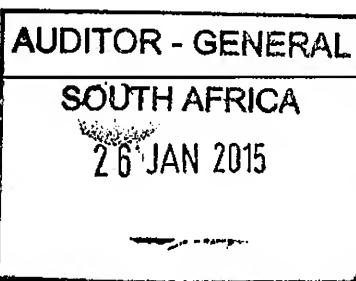
#### Cacadu - LED Grant

Balance unspent at beginning of year	-	185 744
Current-year receipts	370 000	-
Expended	-	(185 744)
	<b>370 000</b>	-

No spend in the current financial year.

#### Municipal Infrastructure Grant

Balance unspent at beginning of year	4 867 092	732 270
Current-year receipts	14 030 000	12 672 000
Transferred to revenue	(14 030 000)	(8 537 178)
Transferred to loan	(4 867 092)	-
	<b>4 867 092</b>	-



# Baviaans Local Municipality

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### 21. Government grants and subsidies (continued)

The municipality upgraded streets, stormwater, bulk water, high mast lighting and bucket eradication during the current financial year.

#### Municipal Systems Improvement Grant

Current-year receipts	890 000	800 000
Transferred to revenue	(890 000)	(800 000)
	-	-

The grant was utilised to upgrade financial systems, revenue enhancement and the implementation of ward committee.

#### Waste Water Treatment Grant

Balance unspent at beginning of year	-	(858 667)
Current-year receipts	-	2 734 528
Transferred to revenue	-	(1 875 861)
	-	-

No spend in the current financial year.

#### Rapid Response Grant - DWA

Balance unspent at beginning of year	669 034	669 034
Conditions met - transferred to revenue	(170 419)	-
	498 615	669 034

The municipality developed master plans for water, stormwater and safety.

#### Water Service Assets Grant

Balance unspent at beginning of year	(1)	(1)
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#### Regional Bulk Infrastructure Grant

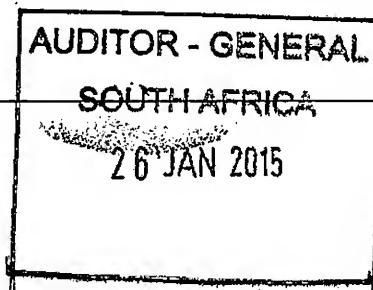
Balance unspent at beginning of year	(1 437 751)	-
Current-year receipts	8 832 237	10 667 762
Conditions met - transferred to revenue	(7 862 729)	(12 105 513)
	(468 243)	(1 437 751)

The municipality built new bulk water infrastructure for Steyerville.

#### Public works - EPWP

Balance unspent at beginning of year	264 524	-
Current-year receipts	1 045 000	2 318 000
Conditions met - transferred to revenue	(1 045 000)	(2 053 476)
Transferred to loan	(264 524)	-
	-	264 524

Various social upliftment projects were undertaken. This included clean up campaign using local unemployed residents.



# Baviaans Local Municipality

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### 21. Government grants and subsidies (continued)

#### Finance Management Grant

Current-year receipts	1 400 000	1 250 000
Conditions met - transferred to revenue	(1 400 000)	(1 250 000)
		-

The municipality utilised the grant for the employment of Financial Interns, training in line with competencies and the compilation of annual financial statements and audit improvement.

#### Down Housing

Current-year receipts	-	1 568 824
Conditions met - transferred to revenue	-	(999 375)
Other transfers	-	(569 449)
	-	-

No spend during the current financial year.

#### Water and Sanitation Grant

Balance unspent at beginning of year	200 000	-
Current-year receipts	-	200 000
	200 000	200 000

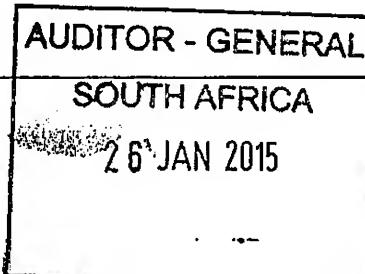
No spend during the current financial year.

### 22. Personnel

Basic	14 648 936	13 837 648
Bonus	996 128	911 372
Medical aid - company contributions	914 879	838 320
UIF	132 490	129 920
WCA	213 000	-
SDL	152 153	48 094
Leave pay provision charge	27 981	121 061
Pension fund contributions	1 387 334	1 345 931
Travel, motor car, accommodation, subsistence and other allowances	802 786	445 728
Overtime payments	425 861	384 993
Long-service awards	136 474	343 000
Housing benefits and allowances	30 142	19 082
Provident fund contributions	459 605	20 132
Post employment medical aid	(91 000)	101 000
Other	6 513	3 362
	20 243 282	18 549 643

#### Remuneration of municipal manager

Annual Remuneration	552 776	514 935
Performance and other Bonuses	-	45 522
Travel, motor car, accommodation, subsistence and other allowances	137 400	74 400
Contributions to UIF, Medical and Pension Funds	8 517	6 023
	698 693	640 880



# Baviaans Local Municipality

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### 22. Personnel (continued)

#### Remuneration of chief finance officer

Annual Remuneration	659 937	442 560
Performance and other Bonuses	-	91 720
Travel, motor car, accommodation, subsistence and other allowances	10 800	123 482
Contributions to UIF, Medical and Pension Funds	3 461	6 686
	<b>674 198</b>	<b>664 448</b>

#### Remuneration of Manager - Community Services

Annual Remuneration	372 414	357 710
Performance and other Bonuses	-	9 770
Travel, motor car, accommodation, subsistence and other allowances	142 800	135 800
Contributions to UIF, Medical and Pension Funds	1 861	1 784
	<b>517 075</b>	<b>505 064</b>

#### Remuneration of the Manager - Corporate Services

Annual Remuneration	429 414	402 710
Travel, motor car, accommodation, subsistence and other allowances	85 800	85 800
Contributions to UIF, Medical and Pension Funds	6 863	2 179
	<b>522 077</b>	<b>490 689</b>

#### Remuneration of Manager - Technical Services

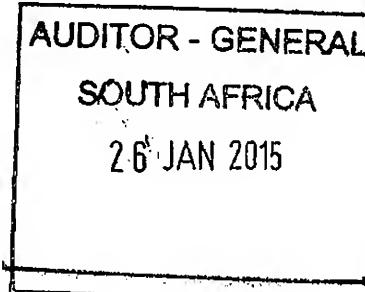
Annual Remuneration	469 414	442 710
Travel, motor car, accommodation, subsistence and other allowances	45 800	45 800
Contributions to UIF, Medical and Pension Funds	6 943	1 784
	<b>522 157</b>	<b>490 294</b>

### 23. Remuneration of councillors

Executive Mayor	305 835	252 662
Councillors	961 092	828 066
Councillors allowances	401 723	426 525
	<b>1 668 650</b>	<b>1 507 253</b>

#### In-kind benefits

The municipality received assistance from the Cacadu District Municipality. The assistance provided by Cacadu District Municipality was to provide accounting support services.



# Baviaans Local Municipality

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### 23. Remuneration of councillors (continued)

#### Councillors' Remuneration

2014

Councillor	Remuneration	Allowances	Pension and medical aid	Total
EL Loock (Mayor)	293 667	78 977	12 168	384 812
D J Bezuidenhout	160 182	53 791		213 973
H Booysen	160 182	53 791		213 973
M E Fivaz	160 182	53 791		213 973
G A Hobson	160 182	53 791		213 973
V B Lapperts	160 182	53 791		213 973
T R Spogter	160 182	53 791		213 973
	<b>1 254 759</b>	<b>401 723</b>	<b>12 168</b>	<b>1 668 650</b>

2013

Councillor	Remuneration	Allowances	Total
EL Loock (Mayor)	252 662	92 187	344 849
D J Bezuidenhout	138 011	55 723	193 734
H Booysen	138 011	55 723	193 734
M E Fivaz	138 011	55 723	193 734
G A Hobson	138 011	55 723	193 734
V B Lapperts	138 011	55 723	193 734
T R Spogter	138 011	55 723	193 734
	<b>1 080 728</b>	<b>426 525</b>	<b>1 507 253</b>

### 24. Debt impairment

Contributions to debt impairment provision	<b>1 744 240</b>	<b>1 371 162</b>
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### 25. Depreciation and amortisation

Property, plant and equipment	<b>15 645 287</b>	<b>15 373 952</b>
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### 26. Finance costs

Post employment medical aid	208 000	191 000
Provision for rehabilitation of landfill	54 154	51 218
Finance leases	223 719	228 371
Trade and other payables	605 082	613 638
	<b>1 090 955</b>	<b>1 084 227</b>

AUDITOR - GENERAL

SOUTH AFRICA

26 JAN 2015

## Baviaans Local Municipality

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#### 27. Repairs and maintenance

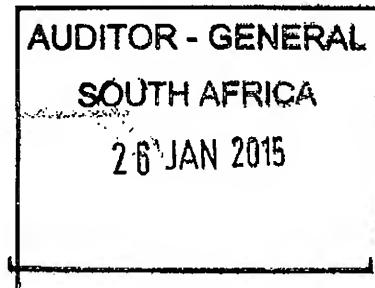
Buildings	30 006	82 652
EPWP	1 366 767	2 081 956
Equipment	28 160	82 922
Fencing	3 041	-
Maintenance	5 260	6 450
Network	153 341	400 076
Sports fields	12 817	3 355
Street lights	35 612	28 984
Streets	73 823	35 493
Tools	21 805	36 176
Traffic signs	2 500	-
Vehicles	220 292	324 787
	<b>1 953 424</b>	<b>3 082 851</b>

#### 28. Bulk purchases

Electricity	8 475 329	7 942 343
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#### 29. Grants and subsidies paid

Free Basic Services	5 385 989	5 629 261
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# Baviaans Local Municipality

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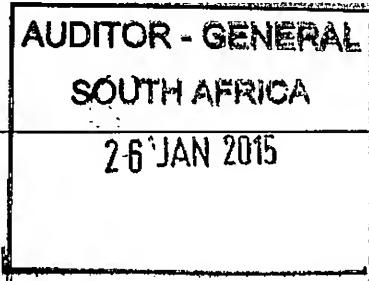
### 30. General expenses

Actuarial cost	991 707	-
Advertising	38 765	148 316
Assessment rates & municipal charges	598 374	637 730
Auditors remuneration	2 376 445	2 878 193
Bank charges	182 423	180 005
Chemicals	149 735	166 193
Christmas lights	-	11 367
Communication	96 901	90 323
Community assistance	22 245	17 821
Commission paid	173 439	139 518
Computer expenses	747 778	-
Consumables	21 607	92 106
Electricity - municipal usage	1 274 704	1 106 750
Finance Management Grant	1 272 051	1 084 878
Fire fighting	96 406	530
Fuel and oil	1 186 089	1 056 566
Insurance	246 316	232 869
Internal audit	374 784	-
LED SMME/arts and crafts expenditure	5 907	-
Lease rentals	153 864	156 480
Legal fees	273 902	127 944
Membership fees	462 500	783 601
Motor vehicle expenses	302 994	-
Movement in water inventory	38 929	(29 670)
MSIG	785 594	700 067
Other projects	15 408	-
Postage and courier	173 228	195 737
Printing and stationery	415 638	192 473
Project management costs	392 759	515 448
Protective clothing	4 094	36 633
Refuse	108 000	82 640
Research and development costs	77 206	57 494
Royalties and license fees	33 989	35 152
Professional fees	543 620	-
Special projects	27 497	22 760
Sundry expenses	258 722	261 984
Telephone and fax	573 171	379 413
Tourism development	104 410	248 565
Training	2 931	4 614
Travel - local	146 210	79 730
Transfer fees	34 614	26 667
Ward committees	30 086	-
	<b>14 815 042</b>	<b>11 720 897</b>

### 31. Impairment of assets

#### Impairments

Property, plant and equipment	-	50 000
Investment property	1 229 500	92 500
	<b>1 229 500</b>	<b>142 500</b>



# Baviaans Local Municipality

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## NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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### 32. Prior period errors

The correction of error relating to the opening retained income balance at 01 July 2012 is due to the following adjustment:

Cash and cash equivalents	1
Increase in Investment Property	119 500
Increase in payables and workmens compensation	(705 000)
Increase in VAT receivable	1 121 663
	<hr/>
	536 164

Further to the above, the following balances were adjusted at the 2013 reporting date:

Statement of financial position	Restated 2013	Reported 2013
<b>Assets</b>		
<b>Current assets</b>		
Other receivables	337 500	397 833
VAT receivable	2 112 575	1 063 758
<b>Non-current assets</b>		
Investment property	39 700 500	39 581 000
Property, plant and equipment	184 644 963	182 927 086
Intangible assets	4	-
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	(15 075 603)	(14 412 109)
<b>Non-current liabilities</b>		
	<hr/>	<hr/>
	211 719 939	209 557 568

### Statement of Financial Performance

<b>Revenue</b>		
Property rates	3 081 737	3 088 755
Licences and permits	-	508 746
Government grants & subsidies	50 088 325	46 316 326
Other income	442 999	2 556 858
Gain on disposal of asset	7 018	-
Income from agency	648 264	-
<b>Expenditure</b>		
Personnel	(18 549 643)	(18 586 710)
Finance costs	(1 084 227)	(1 122 128)
General expenses	(11 720 893)	(11 474 423)
	<hr/>	<hr/>
	22 913 580	21 287 424

### Other Receivables

Reversal of duplicated receipts.

### VAT Receivable

A full review was done of the VAT for the past 3 years. The VAT control account was corrected based on the VAT review conducted.

### Investment Property

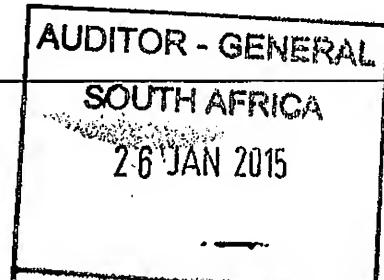
Based on the qualification received in last year's audit for investment property, a full review was conducted on all investment property and the adjustments made accordingly.

### Property, plant and equipment

Accruals were raised on grants in the 2012/2013 financial year but the related asset was not recognised.

### Trade and other payables

Workmen's compensation and amounts payable to SARS not raised in the prior year.



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### 32. Prior period errors (continued)

#### Property rates

Reclassification of gain on disposal of asset.

#### Licences and permits

Reclassification of income from agency fees and the reclassification of transaction costs related to income from agency fees to general expenses.

#### Government grants and subsidies

Accruals were raised on grants in the 2012/2013 financial year but the related asset was not recognised.

#### Income from agency fees

Reclassification of amounts from licences and permits.

#### Other income

Reclassification of EPWP grant to government grants and subsidies and transaction costs relating to income from agency fees reclassified to income from agency fees.

#### General expenses

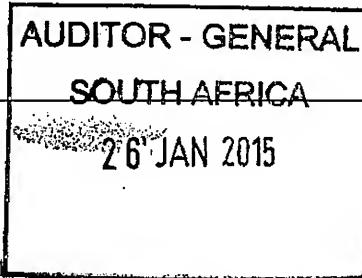
Reclassification of transaction costs relating to income from agency fees from licences and permits to general expenses.

### 33. Cash generated from operations

Surplus	12 521 353	4 310 713
<b>Adjustments for:</b>		
Depreciation and amortisation	15 645 287	15 373 952
Loss on sale of assets and liabilities	(152 455)	(7 018)
Impairment deficit	1 229 500	142 500
Debt impairment	1 744 240	1 371 162
Movements in provisions	1 185 270	741 154
Loss on sale of investment property	88 500	-
Landfill sites non cashflow costs	(12 413)	-
<b>Changes in working capital:</b>		
Inventories	38 929	(29 671)
Other receivables	(67 999)	(337 500)
Consumer debtors	(2 382 699)	(1 786 141)
Trade and other payables	5 188 428	(855 755)
VAT	(229 177)	(262 779)
Unspent conditional grants and receipts	(3 962 527)	4 311 973
Consumer deposits	4 059	615
	<b>30 838 296</b>	<b>22 973 205</b>

### 34. Auditors' remuneration

Fees	2 376 445	2 878 193
<b>Movement reconciliation</b>		
Opening Balance	5 384 508	4 732 623
Fees for the year	2 709 147	3 281 140
Interest charged	396 070	499 863
Less: Payments made	(592 971)	(3 129 118)
	<b>7 896 754</b>	<b>5 384 508</b>



# Baviaans Local Municipality

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### 35. Related parties

#### Relationships

Mayor	EL Lock
Councillor	Cllr D Bezuidenhout
Councillor	Cllr H Boysen
Councillor	Cllr M Fivaz
Councillor	Cllr GA Hobson
Councillor	Cllr V Lapperts
Councillor	Cllr T Spogter
Municipal Manager	JM Vumazonke
Chief Financial Officer	H Nagel
Technical Services Manager	B Arends
Community Services Manager	L de Beer
Corporate Services Manager	MA Lotter
Related government entity	Eskom
District Municipality Which Baviaans Municipality forms part of	Cacadu District Municipality
Close family member of key management	None
Joint venture of key management	None
Associate of close family member of key management	None
Members of key management	None

The mayor and councillors only receive remuneration as set out in Note 23. Rates and municipal services were in line with other customers, see note 46.

The senior management only receive remuneration as set out in Note 22. Rates and municipal services were in line with other customers.

All related government entities transactions, including the district municipality, such as rates and municipal services were in line with government legislation.

### 36. Risk management

#### Financial risk management

##### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

##### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

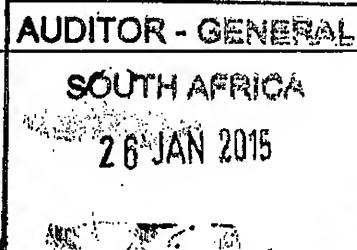
Financial instrument	2014	2013
- Call deposits	9 817	7 430
- Trade and other receivables	1 405 213	766 755
- Other receivables	395 091	397 883

##### Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Interest rate risk is managed by investing any surplus funds into high yield investments. The resultant interest earned is likely to offset interest paid, as both are linked to prime rates.

### 37. Events after the reporting date

No events have been identified after the reporting date which could have a material impact on the annual financial statements.



## Baviaans Local Municipality

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#### 38. Unauthorised expenditure

Opening balance	11 110 460	9 912 915
Add: Unauthorised expenditure - current year	5 340 776	12 017 645
Less: Certified by council as irrecoverable and written off	(12 894 794)	(10 820 100)
	<b>3 556 442</b>	<b>11 110 460</b>

#### 39. Fruitless and wasteful expenditure

Opening balance	410 060	359 039
Add: Fruitless and wasteful expenditure - current year	473 445	1 618 593
Less: Certified by council as irrecoverable and written off	(883 505)	(1 567 572)
	<b>-</b>	<b>410 060</b>

#### 40. Irregular expenditure

Opening balance	828 197	694 529
Add: Irregular expenditure - current year	2 277 377	133 668
Less: Certified by council as irrecoverable and written off	(828 197)	-
	<b>2 277 377</b>	<b>828 197</b>

#### 41. Deviation from supply chain management regulations

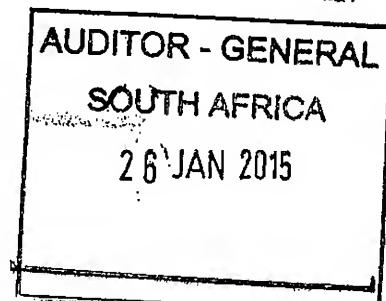
Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Goods and services to the value of R6,990,577.89 (2012/2013: R2,686,080) were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the council who considered them and subsequently approved the deviation from the normal supply chain management regulations.

#### 42. Compliance

The municipality was unable to pay creditors within the required 30 days due to cash constraints. This is in contravention of paragraph 65(2)(e) of the Municipal Finance Management Act.



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### 43. Contingencies

#### Wanhoop

The municipality is involved in a dispute with the owner of a farm in respect of the municipality's rights to water that is sourced from the farm. The municipality's lawyers are of the opinion that the matter will only be resolved in court. If it goes to court, further costs could reach somewhere between R400,000 and R500,000. Should the municipality be successful, a reasonable portion of the costs will be payable by the owner of the farm.

The matter is still pending. The Department of Water Affairs are actively involved in trying to assist the municipality in finalising the matter to ensure that the municipality can register servitudes. On the matter of litigation it seems to be quiet for the moment and the lawyers foresee that it will remain like this for the immediate future.

#### Isiseko Soqoqosho CC

The municipality is being sued by Isiseko Soqoqosho CC for R 7 000 000 for damages incurred as a result of the termination of an agreement between the parties.

The matter was scheduled to be heard on 26 July 2011 but was sine die (for an undetermined time) postponed as the debtor's assets had to be valued. The debtor could only reschedule the hearing after they had paid the taxed costs which they did on 18 October 2012. They are in a position to schedule the matter for hearing but to date have not done such.

The municipality's lawyers regard this matter as being closed as the claimant has not applied for the case to be put on the roll again.

#### Landfill sites

The municipality has not obtained a permit for the landfill sites in terms of Section 24G of the National Environmental Management Act. This could lead to possible penalties and fines being imposed.

### 44. Material losses

During the 2013/2014 financial year the municipality incurred distribution losses relating to water of 21% (2012/2013: 20.51%) and relating to electricity of 11.82% (2013: 12.14%)

### 45. Pension and medical aid deductions

#### Pension

Current year payroll deductions and Council Contributions	1 757 073	2 044 490
Amount paid - current year	(1 321 879)	(2 044 490)
	435 194	-

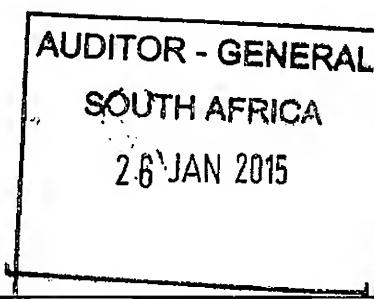
#### Medical aid

Current year payroll deductions and Council Contributions	927 047	1 291 019
Amount paid - current year	(788 139)	(1 291 019)
	138 908	-

### 46. Councillors' arrear consumer accounts

#### Outstanding less than 90 days

Councillor Clasen R	-	2 376
Councillor Booysen H	-	187
Councillor Bezuidenhout D	-	1 604
Councillor Fischer V	-	179
	-	4 346



## Baviaans Local Municipality

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#### 47. PAYE and UIF

Current year payroll deductions	2 655 935	2 886 589
Amount paid - current year	(2 182 314)	(2 886 589)
	473 621	-

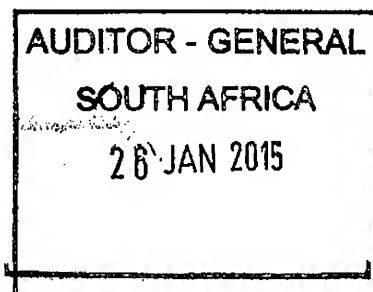
#### 48. Operating lease receivables

##### Present value of minimum lease payments due

- within one year	6 600	6 600
- in second to fifth year inclusive	14 950	21 550
- later than five years	1 500	1 500
	23 050	29 650

The average lease terms is 10 years and the average effective lending rate is undetermined.

Obligations under operating leases are secured by the lessor's title to the leased property.



# Baviaans Local Municipality

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### 49. Employee benefits

#### Defined benefit plan

The defined benefit plan, to which -% (2013: -%) belong, consists of the (specify Pension Fund) governed by the Pension Fund Act of 1956.

The actuarial valuation determined that the retirement plan was in a sound financial position, however that it was recommended that the contribution should be increased by -% for - months. This recommendation is presently being implemented.

The plan is a final salary pension / flat plan or a post employment medical benefit plan.

#### 49.1 Post employment medical benefit

The amounts recognised in the statement of financial position are as follows:

##### Post Employment Medical Liability - Carrying value

Present value of the post employment benefit medical obligation - wholly unfunded

2 464 046 1 406 000

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	1 406 000	1 209 000
Net expense recognised in the statement of financial performance	1 058 046	197 000
	2 464 046	1 406 000

##### Net expense recognised in the statement of financial performance

Interest cost	99 000	96 000
Actuarial losses	1 050 046	192 000
Benefits paid	(91 000)	(91 000)
	1 058 046	197 000

#### Key assumptions used

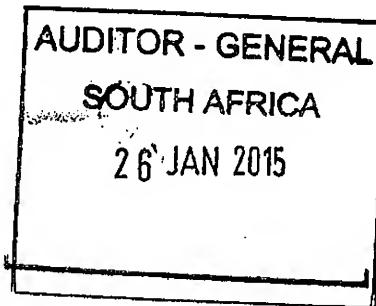
Assumptions used at the reporting date:

Discount rates used	8.60 %	7.25 %
Net discount rate	0.69 %	0.47 %
Consumer price inflation	6.36 %	6.25 %
Medical cost trend rates	7.86 %	6.75 %
Expected increase in salaries	7.21 %	7.15 %

The PA 90-2 post-retirement mortality table used

Number of Continuation pensioners - 4 (2012/2013: 4)

Average age of Continuation pensioners as at 30 June 2014 was 67.3 (2012/2013: 66.50), with an average employer monthly contribution of R2,726 (2012/2013: R2,495)



# Baviaans Local Municipality

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### 49. Employee benefits (continued)

#### History of liabilities, assets and experience adjustments

Amounts for the current and previous three years are as follows:

	2014 R	2013 R	2012 R	2011 R
Accrued Liability	1 685 661	1 617 000	1 179 000	968 000
Fair Value of Plan assets	-	-	-	-
Surplus (deficit)	(1 685 661)	(1 617 000)	(1 179 000)	(968 000)
Liabilities: (Gain) / Loss	56 641	71 000	73 000	-
Assets: Gain / (Loss)	-	-	-	-

### 49.2 Long service awards

The amounts recognised in the statement of financial position are as follows:

#### Long service awards - Carrying value

Present value of the long service awards - wholly unfunded	1 685 661	1 617 000
--	-----------	-----------

#### Changes in the present value of the defined benefit obligation are as follows:

Opening balance	1 617 000	1 179 000
Net expense recognised in the statement of financial performance	68 661	438 000
	<b>1 685 661</b>	<b>1 617 000</b>

#### Net expense recognised in the statement of financial performance

Current service cost	244 000	200 000
Interest cost	109 000	95 000
Actuarial (gains) losses	(58 339)	192 000
Bonuses paid	(226 000)	(49 000)
	<b>68 661</b>	<b>438 000</b>

#### Key assumptions used

Assumptions used at the reporting date:

Discount rates used	8.12 %	7.25 %
Net discount rate	0.85 %	0.09 %
Consumer price inflation	6.21 %	6.25 %
Expected increase in salaries	7.21 %	7.15 %

#### History of liabilities, assets and experience adjustments

Amounts for the current and previous three years are as follows (R 000):

	2014 R	2013 R	2012 R	2011 R
Accrued liability	2 464	1 406	1 209	1 121
Fair Value Plan assets	-	-	-	-
Surplus (deficit)	(2 464)	(1 406)	(1 209)	(1 121)
Liabilities: (Gain) / Loss	1 128	66	81	-
Assets: Gain / (Loss)	-	-	-	-

AUDITOR - GENERAL  
SOUTH AFRICA

26 JAN 2015 53

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#### 49. Employee benefits (continued)

##### Defined benefit obligation

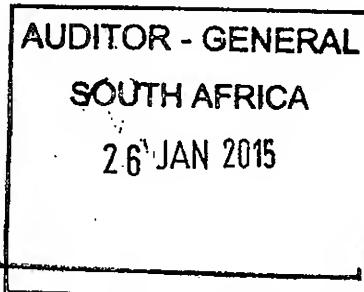
The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was performed on 30 June 2014 by Arch Actuarial Consulting using the Projected Unit Credit Method.

#### 50. Going concern

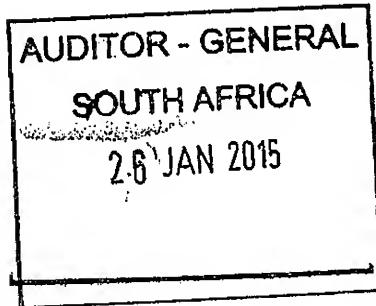
The executives of the municipality together with council have pursued various avenues, including the Cacadu District Municipality, Department of Provincial and Local Government as well as Provincial and National Treasury in seeking a financial solution to the challenges faced by the municipality.

A detailed financial recovery plan has been drafted which is actively being implemented and progress monitored by dedicated Task Team which includes delegates from the Baviaans Municipality, CDM and Provincial Treasury. A realistic three year budget has been adopted for the purposes of achieving financial recovery, while efforts are under way to upgrade the standard of financial administration and systems at the municipality.

Management and council have again committed themselves to achieving a clean audit and compliance with Provincial and National Treasury requirements.

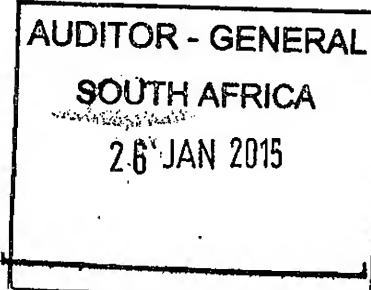


**APPENDIX A – APPROPRIATION STATEMENT  
(RECONCILIATION OF BUDGET AND IN-YEAR PERFORMANCE)**



EC107 Baviaans - Reconciliation of Table A1 Budget Summary

R thousands	Description		2013/14							2012/13			
			Original Budget	Budget Adjustments (i.e. MFMA s28)	Final adjustments budget	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered
	1	2	3	4	5	6	7	8	9	10	11	12	
<b>Financial Performance</b>													
Property rates	3,737	~	3,737	3,420	~		(308)	91.8%	91.8%				3,082
Service charges	18,146	(163)	17,983	17,461	~		(502)	97.2%	96.3%				15,733
Investment revenue	60	~	60	121	~		41	151.1%	151.1%				112
Transfers recognised - operational	23,330	222	23,552	23,451	~		(100)	99.6%	100.5%				20,570
Other own revenue contributions)	7,205	(5,151)	2,054	2,391	~		337	116.4%	33.2%				1,586
Employee costs	52,498	(5,092)	47,406	46,473	~		(533)	98.9%	89.3%				47,084
Remuneration of councillors	10,732	807	20,539	20,243	~		(296)	68.6%	102.6%				18,550
Debt impairment	1,892	~	1,892	1,660	~		(24)	98.6%	98.6%	437	437		1,607
Depreciation & asset impairment	~	~	1,744	~			1,744	#DIV/0!	#DIV/0!				1,371
Finance charges	8,000	7,600	15,600	16,875	~		1,275	106.2%	210.0%	143	143		15,516
Materials and bulk purchases	106	668	1,003	1,001	473	26	102.6%	659.5%	51	51			1,084
Transfers and grants	9,366	(150)	9,216	8,476	~		(771)	91.7%	90.2%				7,942
Other expenditure	5,715	21	5,739	5,385	~		(353)	93.8%	94.2%	4,370	4,370		5,829
Total Expenditure	14,702	(262)	14,510	16,857	1,784	2,347	110.2%	114.0%	216	216		14,804	
Surplus/(Deficit)	59,528	8,865	60,391	72,340	2,258	3,650	105.8%	121.5%	5,226	5,226		65,404	
Transfers recognised - capital	(7,028)	(13,857)	(20,985)	(25,467)	~		(4,483)	121.4%	352.4%				(19,321)
Contributions recognised - capital & contributed assets	39,429	2,985	42,414	37,676	~		(4,438)	89.5%	90.3%				23,516
Surplus/(Deficit) after capital transfers & contributions	32,400	(10,971)	21,429	12,509	~		(8,920)	58.4%	38.6%				4,197
Share of surplus/(deficit) of associate	~	~	~	~	~	~	~	~	~	~	~		
Surplus/(Deficit) for the year	32,400	(10,971)	21,429	12,509	~		(8,920)	58.4%	38.6%				4,197
<b>Capital expenditure &amp; funds received</b>													
Capital expenditure	30,656	2,015	30,804	35,900	~		(4,415)	88.9%	95.9%				21,656
Transfers recognised - capital	~	~	~	~	~	~	~	~	~	~	~		
Public contributions & donations	~	~	~	310	~		310	#DIV/0!	#DIV/0!				733
Borrowing	~	~	~	~	~		(4,967)	2.3%	82.4%				329
Internally generated funds	140	4,043	5,063	115	~		(6,072)	79.8%	96.7%				22,922
Total sources of capital funds	37,029	7,858	44,887	35,815	~								
Net cash from (used) operating	39,085	1,509	40,595	30,838	~		(9,758)	76.0%	78.9%				22,973
Net cash from (used) investing	(37,020)	(7,858)	(44,887)	(35,540)	~		(9,347)	79.2%	96.0%				(22,065)
Net cash from (used) financing	(740)	(351)	(1,121)	4,874	~		5,925	-434.8%	-658.6%				174
Cash/cash equivalents at the year end	1,616	~	(5,114)	472	~		5,586	-9.2%	29.2%				299



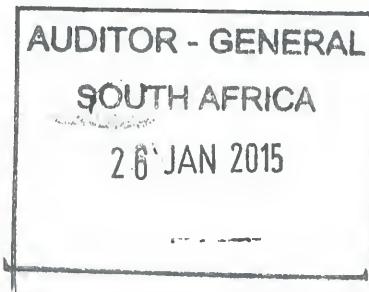
EC107 Bafleants - Reconciliation of Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification)

Description R thousand	2013/14								2012/13				
	Original Budget	Budget Adjustments (i.o. MFMA s28)	Final budget	Actual Outcome	Authorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
	1	2	3	4	5	6	7	8	9	10	11	12	
<b>Revenue - Standard</b>													
<b>Governance and administration</b>	<b>18,590</b>	<b>(3,038)</b>	<b>13,554</b>	<b>13,637</b>		<b>83</b>	<b>100.6%</b>	<b>82.2%</b>				<b>16,398</b>	
Executive and council	1,348	—	1,348	1,348		—	100.0%	100.0%				732	
Budget and treasury office	15,091	(2,976)	12,115	12,146		31	100.3%	80.5%				13,415	
Corporate services	151	(80)	91	143		52	156.8%	94.5%				2,251	
<b>Community and public safety</b>	<b>1,409</b>	<b>3,300</b>	<b>4,709</b>	<b>824</b>		<b>(3,885)</b>	<b>17.5%</b>	<b>58.5%</b>				<b>2,396</b>	
Community and social services	430	82	512	574		62	112.2%	133.5%				1,147	
Sport and recreation	500	345	845	—		(845)	—	—				—	
Public safety	479	(229)	250	250		—	100.0%	52.2%				250	
Housing	—	3,102	3,102	—		(3,102)	—	—				999	
Health	—	—	—	—		—	—	—				—	
<b>Economic and environmental services</b>	<b>9,943</b>	<b>(1,718)</b>	<b>8,225</b>	<b>7,878</b>		<b>(347)</b>	<b>95.6%</b>	<b>79.2%</b>				<b>11,375</b>	
Planning and development	—	—	—	—		—	—	—				—	
Road transport	9,943	(1,718)	8,225	7,878		(347)	95.6%	79.2%				11,375	
Environmental protection	—	—	—	—		—	—	—				—	
<b>Trading services</b>	<b>63,864</b>	<b>(666)</b>	<b>63,199</b>	<b>62,450</b>		<b>(743)</b>	<b>98.8%</b>	<b>97.8%</b>				<b>40,457</b>	
Electricity	14,047	(67)	13,980	14,093		114	100.8%	100.3%				12,345	
Water	40,001	(854)	39,147	38,240		(898)	97.7%	95.6%				17,813	
Waste water management	4,831	171	5,001	5,237		238	104.7%	108.4%				8,199	
Waste management	4,986	85	5,071	4,877		(104)	96.2%	97.8%				2,100	
<b>Other</b>	<b>120</b>	<b>13</b>	<b>133</b>	<b>88</b>		<b>(87)</b>	<b>49.8%</b>	<b>55.0%</b>				<b>89</b>	
<b>Total Revenue - Standard</b>	<b>91,926</b>	<b>(2,107)</b>	<b>89,820</b>	<b>84,862</b>		<b>(4,958)</b>	<b>94.5%</b>	<b>92.3%</b>				<b>70,715</b>	
<b>Expenditure - Standard</b>													
<b>Governance and administration</b>	<b>22,819</b>	<b>10,785</b>	<b>33,384</b>	<b>38,747</b>		<b>5,362</b>	<b>5,362</b>	<b>116.1%</b>	<b>171.3%</b>	<b>5,142</b>	<b>5,142</b>	<b>—</b>	<b>39,482</b>
Executive and council	3,260	283	3,520	3,373		(156)	(156)	95.8%	103.3%	437	437	—	3,793
Budget and treasury office	14,988	9,580	24,546	30,554		6,008	6,008	124.5%	204.2%	4,687	4,687	—	31,514
Corporate services	4,387	923	5,310	4,820		(480)	(480)	90.8%	109.9%	18	18	—	4,156
<b>Community and public safety</b>	<b>3,317</b>	<b>149</b>	<b>3,486</b>	<b>2,924</b>		<b>(542)</b>	<b>(542)</b>	<b>84.4%</b>	<b>88.1%</b>	—	—	—	<b>2,831</b>
Community and social services	2,782	117	2,898	2,425		(473)	(473)	83.7%	87.2%	—	—	—	2,459
Sport and recreation	6	(6)	—	—		—	—	—	—	—	—	—	—
Public safety	529	36	667	498		(69)	(69)	87.8%	94.1%	—	—	—	372
Housing	—	—	—	—		—	—	—	—	—	—	—	—
Health	—	—	—	—		—	—	—	—	—	—	—	—
<b>Economic and environmental services</b>	<b>10,304</b>	<b>(2,104)</b>	<b>8,200</b>	<b>9,303</b>	<b>1,103</b>	<b>1,103</b>	<b>113.5%</b>	<b>90.3%</b>	<b>33</b>	<b>33</b>	—	<b>7,421</b>	
Planning and development	—	—	—	—		—	—	—	—	—	—	—	
Road transport	10,304	(2,104)	8,200	9,303	1,103	1,103	113.5%	90.3%	33	33	—	7,421	
Environmental protection	—	—	—	—		—	—	—	—	—	—	—	
<b>Trading services</b>	<b>22,577</b>	<b>127</b>	<b>22,704</b>	<b>20,757</b>	<b>(1,947)</b>	<b>(1,947)</b>	<b>91.4%</b>	<b>91.9%</b>	<b>51</b>	<b>51</b>	—	<b>15,936</b>	
Electricity	12,635	131	12,767	11,544	(1,223)	(1,223)	90.4%	91.4%	—	—	—	9,079	
Water	4,189	187	4,376	4,441	65	65	101.5%	106.0%	—	—	—	3,203	
Waste water management	2,283	317	2,580	1,508	(1,072)	(1,072)	58.4%	66.6%	51	51	—	1,507	
Waste management	3,489	(506)	2,982	3,264	283	283	109.5%	93.6%	—	—	—	1,247	
<b>Other</b>	<b>709</b>	<b>(73)</b>	<b>636</b>	<b>809</b>	<b>(27)</b>	<b>(27)</b>	<b>95.7%</b>	<b>85.9%</b>	—	—	—	755	
<b>Total Expenditure - Standard</b>	<b>59,526</b>	<b>8,885</b>	<b>68,391</b>	<b>72,340</b>	<b>3,950</b>	<b>3,950</b>	<b>105.8%</b>	<b>121.5%</b>	<b>5,226</b>	<b>5,226</b>	—	<b>68,404</b>	
<b>Surplus/(Deficit) for the year</b>	<b>32,400</b>	<b>(10,071)</b>	<b>21,429</b>	<b>12,521</b>	<b>(8,908)</b>	<b>(8,908)</b>	<b>58.4%</b>	<b>38.8%</b>	<b>(5,226)</b>	<b>(5,226)</b>	—	<b>4,311</b>	



EC107 Baylands - Reconciliation of Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description R thousand	2013/14								2012/13				
	Original Budget	Budget Adjustments (i.t.o. MFMA s28) Budget Adjustments (i.t.o. MFMA s28)	Final adjustments budget	Actual Outcome	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	1	2	3	4	5	6	7	8	9	10	11	12	
<b>Revenue by Vote</b>													
Vote 1 - Council	1,348	-	1,348	1,348		-	-	100.0%	100.0%			732	
Vote 2 - Accounting Officer	-	-	-	-		-	-	-	-				
Vote 3 - Budget & Treasury Office	15,091	(2,976)	12,115	12,146		31	100.3%	80.5%				13,415	
Vote 4 - Technical Services	70,811	2,399	73,209	70,384		(2,825)	96.1%	99.4%				51,951	
Vote 5 - Community Services	4,645	(1,547)	3,098	890		(2,208)	28.7%	19.2%				2,485	
Vote 6 - Corporate Services	31	18	49	93		44	188.8%	300.8%				2,132	
Example 7 - Vote7	-	-	-	-		-	-	-					
Example 8 - Vote8	-	-	-	-		-	-	-					
Example 9 - Vote9	-	-	-	-		-	-	-					
Example 10 - Vote10	-	-	-	-		-	-	-					
Example 11 - Vote11	-	-	-	-		-	-	-					
Example 12 - Vote12	-	-	-	-		-	-	-					
Example 13 - Vote13	-	-	-	-		-	-	-					
Example 14 - Vote14	-	-	-	-		-	-	-					
Example 15 - Vote15	-	-	-	-		-	-	-					
<b>Total Revenue by Vote</b>	<b>91,926</b>	<b>(2,107)</b>	<b>89,820</b>	<b>84,862</b>		<b>(4,958)</b>	<b>94.5%</b>	<b>92.3%</b>				<b>70,715</b>	
<b>Expenditure by Vote to be appropriated</b>													
Expenditure by Vote to be appropriated													
Vote 1 - Council	2,257	(10)	2,238	2,321		83	103.7%	102.8%	437	437	-	2,480	
Vote 2 - Accounting Officer	1,009	282	1,291	1,052		(239)	81.5%	104.2%			-	1,332	
Vote 3 - Budget & Treasury Office	14,986	9577	24,543	30,554	1,784	6,010	124.5%	204.2%	4,687	4,687	-	31,514	
Vote 4 - Technical Services	30,008	(185)	30,723	30,481		(242)	99.2%	98.6%	84	84	-	23,760	
Vote 5 - Community Services	6,095	(2,238)	4,760	3,533		(1,227)	74.2%	50.5%			-	3,565	
Vote 6 - Corporate Services	3,390	1,445	4,835	4,400	473	(436)	91.0%	129.8%	18	18	-	3,743	
Example 7 - Vote7	-	-	-	-		-	-	-			-		
Example 8 - Vote8	-	-	-	-		-	-	-			-		
Example 9 - Vote9	-	-	-	-		-	-	-			-		
Example 10 - Vote10	-	-	-	-		-	-	-			-		
Example 11 - Vote11	-	-	-	-		-	-	-			-		
Example 12 - Vote12	-	-	-	-		-	-	-			-		
Example 13 - Vote13	-	-	-	-		-	-	-			-		
Example 14 - Vote14	-	-	-	-		-	-	-			-		
Example 15 - Vote15	-	-	-	-		-	-	-			-		
<b>Total Expenditure by Vote</b>	<b>59,526</b>	<b>8,865</b>	<b>68,391</b>	<b>72,340</b>	<b>2,258</b>	<b>3,950</b>	<b>105.8%</b>	<b>121.5%</b>	<b>5,226</b>	<b>5,226</b>	<b>-</b>	<b>66,404</b>	
<b>Surplus/Deficit for the year</b>	<b>32,400</b>	<b>(10,971)</b>	<b>21,429</b>	<b>12,521</b>		<b>(8,908)</b>	<b>58.4%</b>	<b>38.6%</b>					



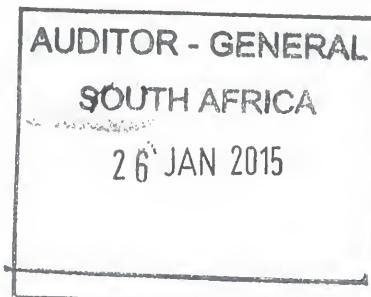
EC107 Baviaans - Reconciliation of Table A4 Budgeted Financial Performance (revenue and expenditure)

Description	2013/14								2012/13				
	Original Budget	Budget Adjustments (I.I.o. MFMA s28) Budget Adjustments	Final budget	Actual Outcome	Actual Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand	1	2	3	4	5	6	7	8	9	10	11	12	
<b>Revenue By Source</b>													
Property rates	3,737	–	3,737	3,429		(308)	91.6%	91.6%					3,082
Property rates - penalties & collection charges													
Service charges - electricity revenue	10,203	(120)	10,083	9,819		(204)	97.4%	96.2%					8,897
Service charges - water revenue	3,481	50	3,531	3,382		(146)	95.6%	97.2%					2,947
Service charges - sanitation revenue	2,055	(93)	1,962	1,024		(36)	98.1%	93.6%					1,756
Service charges - refuse revenue	2,407	–	2,407	2,355		(52)	97.6%	97.8%					2,132
Service charges - other	–	–	–	–		–	–	–					–
Rental of facilities and equipment	120	(81)	39	40		7	119.2%	38.4%					110
Interest earned - external investments	80	–	80	121		41	151.1%	151.1%					112
Interest earned - outstanding debtors	150	189	339	460		121	155.6%	306.4%					368
Dividends received	–	–	–	–		–	–	–					–
Fines	20	(5)	15	9		(6)	61.7%	46.3%					4
Licences and permits	100	485	585	625		40	106.6%	624.6%					–
Agency services	2,996	(2,258)	738	764		26	103.6%	25.5%					648
Transfers recognised - operational	23,330	222	23,552	23,451		(100)	99.6%	100.5%					26,570
Other revenue	3,819	(3,481)	338	334		(4)	98.6%	8.8%					443
Public contributions and donations	–	–	–	12		152	#DIV/0!	#DIV/0!					113
Gains on disposal of PPE	–	–	–	152									7
<b>Total Revenue (excluding capital transfers and contributions)</b>	<b>52,498</b>	<b>(5,092)</b>	<b>47,408</b>	<b>46,885</b>		<b>(533)</b>	<b>98.6%</b>	<b>89.3%</b>					<b>47,197</b>
<b>Expenditure By Type</b>													
Employee related costs	19,732	807	20,539	20,243		(296)	98.6%	102.6%					18,550
Remuneration of councillors	1,692	–	1,692	1,660		(24)	98.6%	98.6%	437	437	–		1,507
Debt impairment				1,744		1,744	#DIV/0!	#DIV/0!					1,371
Depreciation & asset impairment	8,000	7,800	15,800	16,875		1,275	108.2%	210.9%	143	143	–		15,516
Finance charges	195	868	1,063	1,091	473	28	102.6%	556.5%	51	51	–		1,084
Bulk purchases	9,396	(150)	9,246	8,475		(771)	91.7%	90.2%					7,942
Other materials				–		–	–	–					–
Contracted services	–	–	–	–		–	–	–					–
Transfers and grants	5,718	21	5,730	5,388		(353)	03.8%	64.2%	4,370	4,370	–		5,620
Other expenditure	14,702	(282)	14,510	16,768	1,764	2,258	115.6%	113.4%	216	216	–		14,804
Loss on disposal of PPE	–	–	–	80		89	#DIV/0!	#DIV/0!					0
<b>Total Expenditure</b>	<b>60,526</b>	<b>8,865</b>	<b>68,391</b>	<b>72,340</b>	<b>2,258</b>	<b>3,950</b>	<b>105.6%</b>	<b>121.5%</b>	<b>5,226</b>	<b>5,226</b>	–		<b>66,404</b>
<b>Surplus/(Deficit)</b>													
Transfers recognised - capital	(7,028)	(13,057)	(20,865)	(25,455)		(4,483)	121.3%	362.2%					(18,207)
Contributions recognised - capital	39,420	2,985	42,414	37,970		(4,436)	89.5%	96.3%					23,518
Contributed assets				–		–	–	–					–
<b>Surplus/(Deficit) after capital transfers &amp; contributions</b>	<b>32,400</b>	<b>(10,971)</b>	<b>21,429</b>	<b>12,521</b>		<b>(6,620)</b>	<b>58.4%</b>	<b>38.6%</b>					<b>4,311</b>
Taxation				–		–	–	–					–
<b>Surplus/(Deficit) after taxation</b>	<b>32,400</b>	<b>(10,971)</b>	<b>21,429</b>	<b>12,521</b>		<b>(8,920)</b>	<b>58.4%</b>	<b>38.6%</b>					<b>4,311</b>
Attributable to minorities				–		–	–	–					–
<b>Surplus/(Deficit) attributable to municipality</b>	<b>32,400</b>	<b>(10,971)</b>	<b>21,429</b>	<b>12,521</b>		<b>(8,920)</b>	<b>58.4%</b>	<b>36.6%</b>					<b>4,311</b>
Share of surplus/ (deficit) of associate				–		–	–	–					–
<b>Surplus/(Deficit) for the year</b>	<b>32,400</b>	<b>(10,971)</b>	<b>21,429</b>	<b>12,521</b>		<b>(8,920)</b>	<b>58.4%</b>	<b>36.6%</b>					<b>4,311</b>



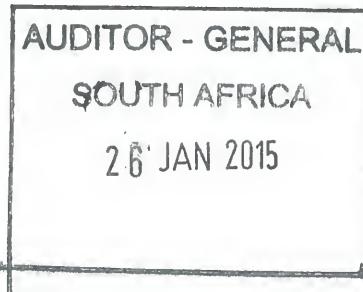
EC107 Baviaans - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2013/14								2012/13				
	Original Budget	Total Budget (i.e. MFMA s28)Total Budget	Final adjustments budget	Actual Outcome Actual Outcome	Actu al Outcome	Unauthorised expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
R thousand													
	1	2	3	4	5	6	7	8	9	10	11	12	
<b>Capital expenditure - Vote</b>													
<b>Multi-year expenditure</b>													
Vote 1 - Council													
Vote 2 - Accounting Officer													
Vote 3 - Budget & Treasury Office													
Vote 4 - Technical Services													
Vote 5 - Community Services													
Vote 6 - Corporate Services													
Example 7 - Vote7													
Example 8 - Vote8													
Example 9 - Vote9													
Example 10 - Vote10													
Example 11 - Vote11													
Example 12 - Vote12													
Example 13 - Vote13													
Example 14 - Vote14													
Example 15 - Vote15													
<b>Capital multi-year expenditure</b>													
<b>Single-year expenditure</b>													
<b>Single-year expenditure</b>													
<b>Single-year expenditure</b>													
Vote 1 - Council	—	—	—	—	—	—	—	—	—	—	—	—	
Vote 2 - Accounting Officer	10	(10)	—	310	—	310	#DIV/0!	3095%	—	—	—	—	
Vote 3 - Budget & Treasury Office	—	98	98	20	(70)	(70)	27%	#DIV/0!	—	—	—	1,003	
Vote 4 - Technical Services	30,380	7,300	43,770	35,419	(8,351)	(8,351)	81%	97%	—	—	—	21,859	
Vote 5 - Community Services	630	382	1,021	60	(961)	(961)	6%	9%	—	—	—	—	
Vote 6 - Corporate Services	—	—	—	—	—	—	—	—	—	—	—	—	
Example 7 - Vote7													
Example 8 - Vote8													
Example 9 - Vote9													
Example 10 - Vote10													
Example 11 - Vote11													
Example 12 - Vote12													
Example 13 - Vote13													
Example 14 - Vote14													
Example 15 - Vote15													
<b>Capital single-year expenditure</b>	37,029	7,858	44,887	35,815	—	(9,072)	80%	97%	—	—	—	22,022	
<b>Total Capital Expenditure - Vote</b>	37,029	7,858	44,887	35,815	—	(9,072)	80%	97%	—	—	—	22,022	



EC107 Baviaans - Reconciliation of Table A5 Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	2013/14							2012/13			
	Original Budget	Total Budget (i.t.o. MFMA s28)Total Budget	Final adjustments budget	Actual Outcome/Actual Outcome	Unauthorized expenditure	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered
R thousand											
<b>Capital Expenditure - Standard</b>											
<b>Governance and administration</b>	10	88	96	336	—	240	350%	3357%	—	—	—
Executive and council	10	(10)	—	310	310	(70)	#DIV/0!	3095%	—	—	1,063
Budget and treasury office	96	96	26	—	—	26	27%	#DIV/0!	—	—	1,063
Corporate services	—	—	—	—	—	—	—	—	—	—	—
<b>Community and public safety</b>	839	3,484	4,123	305	—	(3,818)	7%	48%	—	—	1,817
Community and social services	200	79	270	305	—	26	100%	153%	—	—	—
Sport and recreation	439	303	742	—	—	(742)	—	—	—	—	—
Public safety	—	—	—	—	—	—	—	—	—	—	—
Housing	—	3,102	3,102	—	—	(3,102)	—	—	—	—	1,817
Health	—	—	—	—	—	—	—	—	—	—	—
<b>Economic and environmental services</b>	4,544	1,175	5,718	4,566	—	(1,153)	80%	100%	—	—	5,273
Planning and development	—	—	—	—	—	—	—	—	—	—	—
Road transport	4,544	1,175	5,718	4,566	—	(1,153)	80%	100%	—	—	5,273
Environmental protection	—	—	—	—	—	—	—	—	—	—	—
<b>Trading services</b>	31,837	3,113	34,850	30,608	—	(4,342)	88%	98%	—	—	14,766
Electricity	70	355	425	353	—	(71)	83%	505%	—	—	425
Water	31,597	1,907	33,504	29,660	—	(3,844)	88%	94%	—	—	10,619
Waste water management	20	767	787	326	—	(460)	41%	1630%	—	—	3,725
Waste management	150	85	235	269	—	34	114%	170%	—	—	—
<b>Other</b>	—	—	—	—	—	—	—	—	—	—	—
<b>Total Capital Expenditure - Standard</b>	37,029	7,858	44,887	35,815	—	(6,072)	80%	97%	—	—	22,922
<b>Funded by:</b>											
National Government	18,889	1,030	20,810	19,036	—	(1,763)	91%	101%	—	—	20,042
Provincial Government	18,000	985	18,985	16,354	—	(2,631)	86%	91%	—	—	1,817
District Municipality	—	—	—	—	—	—	—	—	—	—	—
Other transfers and grants	—	—	—	—	—	—	—	—	—	—	—
Transfers recognised - capital	36,889	2,915	39,804	35,390	—	(4,415)	88%	96%	—	—	21,850
Public contributions & donations	—	—	—	—	—	—	—	—	—	—	—
Borrowing	—	—	—	310	310	#DIV/0!	#DIV/0!	—	—	—	733
Internally generated funds	140	4,943	5,083	115	—	(4,967)	2%	82%	—	—	320
<b>Total Capital Funding</b>	37,029	7,858	44,887	35,815	—	(6,072)	80%	97%	—	—	22,922



EC107 Baviaans - Reconciliation of Table A7 Budgeted Cash Flows

Description R thousand	2013/14							2012/13 Restated Audited Outcome
	Original Budget	Budget Adjustments (i.t.o. s28)	Final adjustments budget	Actual Outcome	Variance	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	
	1	2	3	4	5	6	7	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>								
Receipts								
Ratepayers and other	27,428	(5,079)	22,349	20,021	(2,328)	89.6%	73.0%	17,753
Government - operating	23,330	222	23,552	23,354	(198)	99.2%	100.1%	26,570
Government - capital	39,429	2,985	42,414	38,074	(4,340)	89.8%	96.6%	23,518
Interest	230	189	419	580	161	138.5%	252.4%	480
Dividends	—	—	—	—	—	—	—	—
Payments								
Suppliers and employees	(51,331)	3,192	(48,139)	(50,362)	(2,223)	104.6%	98.1%	(44,264)
Finance charges				—	(829)	(829)	#DIV/0!	(1,084)
Transfers and Grants				—	—	—	—	—
<b>NET CASH FROM/(USED) OPERATING ACTIVITIES</b>	<b>39,085</b>	<b>1,509</b>	<b>40,595</b>	<b>30,838</b>	<b>(9,756)</b>	<b>76.0%</b>	<b>78.9%</b>	<b>22,973</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Receipts								
Proceeds on disposal of PPE				—	502	502	#DIV/0!	#DIV/0!
Decrease (Increase) in non-current debtors				—	—	—	—	—
Decrease (increase) other non-current receivables				—	—	—	—	—
Decrease (increase) in non-current investments				—	—	—	—	—
Payments								
Capital assets	(37,029)	(7,858)	(44,887)	(36,041)	8,846	80.3%	97.3%	(22,972)
<b>NET CASH FROM/(USED) INVESTING ACTIVITIES</b>	<b>(37,029)</b>	<b>(7,858)</b>	<b>(44,887)</b>	<b>(35,540)</b>	<b>9,347</b>	<b>79.2%</b>	<b>96.0%</b>	<b>(22,965)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>								
Receipts								
Short term loans				—	5,132	5,132	#DIV/0!	#DIV/0!
Borrowing long term/refinancing				—	—	—	—	—
Increase (decrease) in consumer deposits				—	—	—	—	—
Payments								
Repayment of borrowing	(740)	(381)	(1,121)	(258)	863	23.0%	34.8%	174
<b>NET CASH FROM/(USED) FINANCING ACTIVITIES</b>	<b>(740)</b>	<b>(381)</b>	<b>(1,121)</b>	<b>4,874</b>	<b>5,995</b>	<b>-434.8%</b>	<b>-658.6%</b>	<b>174</b>
<b>NET INCREASE/ (DECREASE) IN CASH HELD</b>	<b>1,316</b>	<b>(6,730)</b>	<b>(5,413)</b>	<b>172</b>				
Cash/cash equivalents at the year begin:	299		299	299				182
Cash/cash equivalents at the year end:	1,616		(5,114)	472	5,586	-9.2%	29.2%	117
								299

AUDITOR - GENERAL  
SOUTH AFRICA  
26 JAN 2015